PRESS RELEASE

Federal Deposit Insurance Corporation ● Each Depositor insured to at least $250,000

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FDIC Tightens and Clarifies Interest Rate Restrictions on Institutions That are Less Than Well Capitalized

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today issued a final rule changing the way the FDIC administers its statutory restrictions on the deposit interest rates paid by banks that are less than well capitalized.

The Federal Deposit Insurance Act requires the FDIC to prevent banks that are less than well capitalized from soliciting deposits at interest rates that significantly exceed prevailing rates. The FDIC's current regulation ties permissible interest rates paid by these banks on some deposits solicited nationally to the comparable maturity Treasury yield, and ties permissible interest rates on deposits solicited locally to undefined prevailing local interest rates.

"The subjectivity in our current rule is allowing some weak banks to drive up costs for the rest of the industry," said FDIC Chairman Sheila Bair. "Supervisors and banks need a simpler and more objective tool for achieving the statutory goal. This final rule fits the bill."

The final rule defines nationally prevailing deposit rates as a direct calculation of those national averages, as computed and published by the FDIC based on data available to it. Reliance on the Treasury yields in the regulation would be discontinued. In recognition of the blurring of local deposit market boundaries brought about by the Internet and other innovations, the final rule also establishes a presumption that locally prevailing deposit rates equal the national rates published by the FDIC. This presumption could be overturned by evidence presented by banks to the FDIC.

FDIC

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-82-2009

The rule applies only to the small minority of banks that are less than well capitalized. As of first quarter 2009, there were 248 banks that reported being less than well capitalized, out of more than 8,200 banks nationwide.

The rule is effective January 1, 2010. Effective immediately, the FDIC will regularly publish national rates and caps, and permit institutions that are less than well capitalized to avail themselves of these rates as a safe harbor for complying with the statutory interest rate restrictions.

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Attachment: Final Rule - PDF (PDF Help)