PRESS RELEASE

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

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FDIC Board Proposes Comprehensive, Long-range Fund Management Plan

FOR IMMEDIATE RELEASE

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today voted to propose a comprehensive, long-range plan for deposit insurance fund management with the goals of maintaining a positive fund balance, even during periods of large fund losses, and maintaining steady, predictable assessment rates throughout economic and credit cycles. This plan was formulated in response to changes to the FDIC's authority to manage the Deposit Insurance Fund contained in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

As part of the fund management plan, the Board adopted a new Restoration Plan to ensure that the fund reserve ratio reaches 1.35 percent by September 30, 2020, as required by Dodd-Frank. The Restoration Plan also forgoes the uniform 3 basis point assessment rate increase previously scheduled to go into effect January 1, 2011, and keeps the current rate schedule in effect. The Board's decision was informed by an updated FDIC analysis that forecasts somewhat lower losses from 2010 through 2014.

The Board also adopted a notice of proposed rulemaking based upon an FDIC historical analysis of fund losses demonstrating that, to maintain a positive fund balance and steady, predictable assessment rates, the Deposit Insurance Fund reserve ratio must be at least 2 percent before a period of large fund losses and average assessment rates over time must be approximately 8.5 basis points. The notice of proposed rulemaking would:

- Set the designated reserve ratio at 2 percent as a long-term, minimum goal;

- Adopt a lower assessment rate schedule when the reserve ratio reaches 1.15 percent so that the average rate over time should be about 8.5 basis points; and

- In lieu of dividends, adopt lower rate schedules when the reserve ratio reaches 2 percent and 2.5 percent so that average rates will decline about 25 percent and 50 percent, respectively.

"I am pleased that we are able to provide some assessment rate relief now in light of our lower loss projections," said FDIC Chairman Sheila C. Bair. "While it is difficult to make long-term projections, we are trying to give the industry greater certainty regarding what rates will be over the long run. The trade off we are proposing is lower, more stable and predictable premiums, but a higher reserve."

"I believe that in both the long and the short run, these proposals will benefit the banking industry, the fund and the financial system. Just like the last financial crisis, memories will quickly fade as we move further away from the fall of 2008 and the need for a strong fund will become less obvious. That's why I consider the Board's action today to be crucial, while the need for a sufficiently large fund and stable premiums is most apparent. Our action now will establish standards for sound fund management for a long time to come and better position the FDIC to resist future calls to reduce assessment rates or pay large dividends at the expense of prudent fund management."

Attachments:
Adoption of Federal Deposit Insurance Corporation Restoration Plan - PDF (PDF Help)

Assessment Dividends, Assessment Rates and Designated Reserve Ratio - PDF (PDF Help)

Board Case for Restoration Plan and Notice of Proposed Rulemaking on Assessment Rates, Dividends and the Designated Reserve Ratio - PDF (PDF Help)