PRESS RELEASE

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FDIC Board Adopts Final Rule Extending Tag Program and Maintains Current Deposit Insurance Assessment Rates

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today adopted a final rule extending the Transaction Account Guarantee (TAG) program for six months, from July 1, 2010 through December 31, 2010. Under the TAG program, customers of participating insured depository institutions are provided full coverage on qualifying transaction accounts.

FDIC Chairman Sheila Bair said: "While I believe that the TAG program has proven to be critical to ensuring our financial system's stability, it was established as a temporary program. Ultimately, it should be up to Congress to determine our insurance limits. Adoption of this final rule allows the opportunity for Congress to conclude its current deliberations relative to this program."

The final rule, adopted after a public comment period, is almost identical to the interim rule adopted on April 13, 2010. The rule requires that interest rates on qualifying NOW accounts offered by banks participating in the program be reduced to 0.25 percent from 0.5 percent. It requires TAG assessment reporting based on average daily account balances but makes no changes to the assessment rates for participating institutions. The rule also provides for an additional extension of the program, without further rulemaking, for a period of time not to exceed December 31, 2011.

The FDIC Board also was updated on loss, income and reserve ratio projections for the Deposit Insurance Fund. The restoration plan maintains assessment rates at their current levels through the end of 2010 and applies a uniform 3 basis-point increase in assessment rates effective January 1, 2011.

Current assessment rates are projected to return the DIF to a positive balance in 2012 and the reserve ratio to the statutory minimum target of 1.15 percent during the first quarter of 2017. The FDIC collected $46 billion in prepaid assessments at the end of last year, which is projected to be more than sufficient to fund resolution activities.

Chairman Bair said: "I'm pleased to see that events thus far have unfolded much as we anticipated when we adopted this Restoration Plan -- but we have a long way to go, and many uncertainties remain about the speed of economic recovery and our ultimate resolution costs. I'm hopeful about the prospects for the industry, and expect that we'll see far fewer failures in 2011 than what we're experiencing this year."

Attachments:

Final Rule, Temporary Liquidity Guarantee Program

Deposit Insurance Fund Restoration Plan