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

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FDIC Announces Updated Deposit Insurance Fund Loss and Reserve Ratio Projections

Projects Positive Fund by This Year

The Federal Deposit Insurance Corporation (FDIC) today updated its loss, income, and reserve ratio projections for the Deposit Insurance Fund (DIF) over the next several years. The projected cost of FDIC-insured institution failures for the five-year period from 2011 through 2015 is $21 billion, compared to estimated losses of $24 billion for banks that failed in 2010 alone. While these loss projections are subject to considerable uncertainty, under these projections and current assessment rates, the fund should become positive this year and reach 1.15 percent of estimated insured deposits in 2018.

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires that the fund reserve ratio reach 1.35 percent by September 30, 2020. The FDIC anticipates that it will consider a proposal later this year to implement the requirement in Dodd-Frank that the FDIC offset the effect of increasing the reserve ratio from 1.15 percent to 1.35 percent on institutions with assets of less than $10 billion.

Following seven quarters of decline, the DIF balance has increased for four consecutive quarters. The DIF balance stood at negative $7.4 billion at year-end 2010, up from negative $8.0 billion in the prior quarter and negative $20.9 billion at the end of 2009.

"These projections and trends are indeed good news, but I want to caution that we are not out of the woods yet," said Chairman Sheila C. Bair. "While it is difficult to make long-term projections, we think that these latest projections are a sign of continued recovery in the banking industry."

The FDIC Board of Directors also voted to issue proposed guidelines governing assessment rate adjustments under the new large bank pricing system that went into effect beginning the second quarter of 2011. The new system is designed to better capture risk at the time the institution assumes the risk, to better differentiate risk among large insured depository institutions during periods of good economic and banking conditions based on how they would fare during periods of stress or economic downturns, and to better take into account the losses that the FDIC may incur if a large insured depository institution fails. The proposed guidelines describe how rate adjustments could be made for a limited number of institutions with risk attributes not adequately captured by the new system. The proposed guidelines will have a 45-day comment period upon publication in the Federal Register.

Attachments:

Updated Fund Loss Projections - PDF (PDF Help)
Rate Adjustment for Guidelines for Large Banks - PDF (PDF Help)