



PRESS RELEASE

Federal Deposit Insurance Corporation

December 20, 1994

FDIC APPROVES NEW, AUTOMATED SYSTEM TO COLLECT DEPOSIT INSURANCE PREMIUMS

FOR IMMEDIATE RELEASE

The FDIC Board of Directors today agreed to modernize the way deposit insurance premiums are collected from insured banks and savings associations to make the process more efficient and less burdensome.

"The existing assessment collection system clearly is time-consuming and inefficient, both for insured institutions and for the FDIC," Chairman Ricki R. Tigert said today.

"Although the new system will not change the amount of insurance premiums an institution pays to the FDIC, it will reduce the burden of calculating those premiums as well as the costs of collection."

Institutions currently mail a check to the FDIC twice a year after performing calculations to determine how much they owe for deposit insurance, based on their assigned risk-related assessment rate and their deposit base. Under a new rule approved today and scheduled to take effect April 1, 1995:

- The FDIC will compute the assessment owed, thereby improving the accuracy and relieving each institution of the burden of performing the calculation;
- The agency will arrange for each institution's payment electronically through the Automated Clearing House (ACH) network, eliminating the use of paper checks by the institutions and the FDIC; and
- Each semiannual insurance assessment will be paid in quarterly installments, based on an invoice prepared by the FDIC showing the insurance calculation and information any adjustments from previous quarters.



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.

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The new rule also changes the way insurance premiums are collected from insured institutions that acquire deposits through mergers or other transactions in the latter half of a semiannual assessment period. When such a transaction occurs, the surviving institution's payments will be adjusted to account for the increased insurance risk the deposits may pose.

The final rule is substantially the same as a proposal issued for public comment earlier this year.

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