PRESS RELEASE

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

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Almost All Community Banks' Assessment Rates Decline as Deposit Insurance Fund Surpasses Milestone

More than nine out of 10 small banks are likely to pay less for deposit insurance beginning in the current quarter, the Federal Deposit Insurance Corporation (FDIC) said on Tuesday.

The reduction in assessments will occur because the reserve ratio--the amount in the Deposit Insurance Fund (DIF) to insured deposits--reached 1.17 percent at the end of June. That was the highest level in more than eight years, and marks a significant milestone for the DIF, which fell into negative territory following the recent financial crisis.

"Assessment rates for 93 percent of institutions with less than $10 billion in assets are expected to decline," FDIC Chairman Martin J. Gruenberg said. "On average, regular quarterly assessments are expected to decline by about one-third for these smaller institutions. The improvement in the Deposit Insurance Fund since the financial crisis reflects progress in implementing the long-term fund management plan put into place by the FDIC in the post-crisis period, as well as improving conditions in the banking industry."

According to FDIC regulations, three changes happen to assessment rates the quarter after the reserve ratio reaches 1.15 percent:

- The range of initial assessment rates for <u>all</u> institutions declines to between 3 cents and 30 cents per $100 of the assessment base from between 5 cents and 35 cents.
- Banks with <u>$10 billion or more</u> in assets pay a surcharge to bring the reserve ratio to the statutory minimum of 1.35 percent required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Small banks will receive assessment credits for the portion of their assessments that contribute to the increase to 1.35 percent.
- The method to determine risk-based assessment rates for established banks <u>with less than $10 billion</u> changes. The revised method better reflects risks and helps ensure that banks that take on greater risks pay more for deposit insurance than their less risky counterparts. The method change is revenue-neutral, meaning aggregate assessment revenue collected from established small banks is expected to be approximately the same as it would have been using the prior method.

Although large banks will pay surcharges in addition to their regular quarterly assessments, approximately one-third of large banks still are expected to pay lower total assessments as the decline in regular assessment rates more than offsets the surcharges for these banks. Surcharges are temporary and are expected to last approximately eight quarters.

Institutions can calculate an estimate of their assessment rates using the FDIC's online calculator.

The primary purposes of the DIF are to protect the depositors of insured banks and to resolve failed banks. The DIF is funded mainly through quarterly assessments on insured banks.

The Dodd-Frank Act requires that the reserve ratio reach 1.35 percent by September 30, 2020. The FDIC has established rules to ensure that this requirement is met.

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Links

Calculator

Three Assessment Rules:
Final Rule on Assessments (approved by the Board on February 7, 2011; published February 25, 2011)
Final Rule on Assessments (surcharges) (approved by the Board on March 15, 2016; published March 25, 2016)
Final Rule on Assessments (small bank pricing) (approved by the Board on April 26, 2016; published May 20, 2016)

Quarterly Banking Profile Home Page: (includes previous reports and press conference webcast videos)