PRESS RELEASE
Federal Deposit Insurance Corporation

September 5, 1995

FDIC CONFIRMS MAY 1995 RECAPITALIZATION OF BANK INSURANCE FUND, ANNOUNCES FUND BALANCE OF $24.7 BILLION AT MID-YEAR

FOR IMMEDIATE RELEASE

The FDIC has determined that the Bank Insurance Fund (BIF) was fully recapitalized at the end of May 1995 and that the fund balance reached $24.7 billion at mid-year. As a result, the agency will begin making refunds to banks in amounts equal to insurance overpayments for the months June through September. The FDIC expects the aggregate BIF assessment refund to total $1.49 billion, plus $19.9 million in interest.

FDIC Chairman Ricki Helfer said today: "After an unprecedented number of bank failures depleted the Bank Insurance Fund in the early 1990s, the banking industry's return to health has resulted in recapitalization of the fund. For this reason, a significant reduction in deposit insurance premiums for the best-managed and best-capitalized banks is justified."

The FDIC determines the financial position of the agency's insurance funds at the end of each month. The confirmation that the BIF recapitalized May 31st requires the FDIC to refund the premium overpayments that were made since June 1. Refunds will include interest on overpayments at the same rate earned by the FDIC.

On August 8, the FDIC Board of Directors voted to significantly reduce the deposit insurance premiums paid by most BIF-insured institutions to an average of approximately 4.4 cents per $100 of domestic deposits once the FDIC has confirmed that the BIF met a reserve ratio of 1.25 percent.

Based on data in the quarterly reports of condition provided by BIF-member institutions for the period ended June 30, 1995, the FDIC now has determined that the BIF was recapitalized at May 31. The FDIC calculates that the fund had a balance of $24.2 billion at May 31, which was 1.267 percent of the $1,909.9 billion insured deposit base as of that date.

Given the May 31 date of recapitalization, the FDIC is making refunds reflecting the reduced insurance premiums adopted by the Board retroactive to June 1. The refunds will cover payments already received for the four months ending in September of 1995. The FDIC intends to pay the refunds electronically by means of a credit to each BIF-insured institution through the automated clearinghouse (ACH) network. The settlement date is expected to be September 15, 1995. The FDIC's refund will use the same ACH account information provided by each institution for paying insurance premiums by means of direct debit. In those few cases where an institution's refund cannot be accomplished through the ACH network or is rejected for technical reasons, the FDIC will mail a check to the institution.

Each institution also will be provided with an explanation of how its refund was calculated for both the second and third quarters of 1995. The documentation for each institution will be mailed as soon as possible but no later than the September 15th ACH credit payment.

The invoices for the assessment due on September 29, which normally would have been mailed to institutions on August 30, were delayed to permit the FDIC to incorporate the correct premium rate. The invoices for the fourth quarter will be mailed promptly. The date of collection remains September 29 as scheduled.

In a related development, the FDIC today also released mid- year financial data for the BIF and the two other funds administered by the agency.

The BIF ended the first six months of 1995 with a balance of $24.7 billion, surpassing the previous record balance of $21.8 billion at year-end 1995. The June 30 balance represents 1.288 percent of the insured deposit base of $1,915.3 billion at that date.

The main reason for the BIF's improvement is the continued low level of bank failures, which allows insurance premiums and interest income to be retained by the fund. In addition, after the FDIC's quarterly analysis of the BIF's estimated liabilities, the agency in June reduced the fund's second-quarter reserves for anticipated and past bank failures by $183 million and $133 million, respectively. These adjustments are based on factors that include changes in the marketplace and in the condition of the banking industry. Only four BIF-member banks with $526 million in assets were closed during the first six months of 1995, and just 13 banks with $1.4 billion in assets were closed during 1994.

The Savings Association Insurance Fund (SAIF), which the FDIC administers primarily to protect depositors of savings institutions, ended the first six months of 1995 with a balance of $2.6 billion or 0.365 percent of the insured deposit base. Although the SAIF's mid-year balance is above the year-end 1994 amount of $1.9 billion, the fund's recovery has been slowed because approximately $790 million in assessments are diverted each year to pay interest on Financing Corporation (FICO) bonds. As the SAIF reserve ratio is well below 1.25 percent level mandated by law, the FDIC Board on August 8 voted to retain the existing assessment rate schedule for SAIF-members. These rates range from 23 cents to 31 cents per $100 of assessable deposits.

The FSLIC Resolution Fund (FRF) continued to wind down the financial transactions inherited from the former Federal Savings and Loan Insurance Corporation. The FRF terminated 11 assistance agreements during the first six months of the year. It continued to administer 43 agreements as of June 30th. The FRF has not required any appropriated funds in 1995.

The FDIC postponed the release of the mid-year financial results one month beyond the customary date in order to comply with generally accepted accounting principles (GAAP). This is a one- time delay that was necessary in order to factor in the refund to BIF members, which now has been determined based on the completion of the analysis of banking industry's June 30 reports of condition. Without that information, it was impossible to reasonably calculate the June 30 balance in the BIF.

Copies of mid-year financial statements are available from the FDIC's Office of Corporate Communications.