



PRESS RELEASE

Federal Deposit Insurance Corporation

March 2, 1995

STATEMENT OF FDIC CHAIRMAN RICKI TIGERT HELFER ON GAO REPORT ON BANK AND THRIFT PREMIUMS

FOR IMMEDIATE RELEASE

I agree with the GAO's conclusion that there are substantial risks going forward in taking no action in response to the continued undercapitalization of the Savings Association Insurance Fund (SAIF). In addition, the FDIC recognizes that the current proposal to reduce bank insurance premium rates would pose a competitive disadvantage for institutions whose deposits are protected by the SAIF as long as their premiums remain at current levels. Without solving the fundamental problem represented by the continued drain on the SAIF caused by debt service obligations on Financing Corporation (FICO) bonds, however, it is difficult to lower substantially insurance rates for SAIF institutions.

I commend Senator D'Amato and Congressman LaFalce for their far-sightedness in requesting the GAO's report. It contains a very useful analysis of the available policy options, which the FDIC will study closely.

The GAO acknowledges that the FDIC is limited by law in its authority to set insurance rates. Virtually all options for dealing with the undercapitalization of the SAIF would require legislative action. The FDIC is currently studying all the options. It will make recommendations to the Congress and the Administration on ways of dealing with the undercapitalization of the SAIF and will work closely with all interested parties in an effort to develop constructive solutions.

The current FDIC proposals on BIF and SAIF deposit insurance premium rates are out for public comment and will be the subject of public hearings on March 17.

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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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