PRESS RELEASE

Federal Deposit Insurance Corporation

February 24, 1995

FDIC SCHEDULES MARCH PUBLIC HEARING ON PROPOSED INSURANCE PREMIUM RATES

FOR IMMEDIATE RELEASE

Chairman Ricki Tigert Helfer today announced that the FDIC Board has scheduled a public hearing for March 17 on the agency's proposals to reduce deposit insurance premiums for most banks while keeping insurance rates unchanged for savings associations.

Under the current risk-based insurance system, the best-rated banks and thrifts pay 23 cents per $100 of domestic deposits while the weakest pay 31 cents per $100. The Bank Insurance Fund (BIF) is expected to recapitalize at the level required by Congress at mid-year, when the BIF is expected to reach $24.4 billion. On January 31, the FDIC Board of Directors voted to issue for public comment a proposal to lower the premiums for the best-rated banks -- about 90 percent of the nearly 11,000 BIF-insured institutions -- to four cents per $100 of domestic deposits; the weakest banks would continue to pay 31 cents per $100. Other banks would pay rates between four and 31 basis points.

Separately, the Board in January proposed no change at this time in the rates to be paid by institutions insured by the Savings Association Insurance Fund (SAIF) because the SAIF needs an additional $6.7 billion to reach its congressionally mandated level for full capitalization.

Written comments on these proposals are due by April 17. All comments received in writing or at the public hearing will be given equal consideration.

The hearing is scheduled to be held in the board room at the FDIC's headquarters in Washington, DC, starting at 9 a.m. Anyone wishing to testify must mail, fax or deliver a request to be received by the close of business on March 8 to: Robert E. Feldman, Acting Executive Secretary, Room F-400, FDIC, 550 17th Street, NW, Washington, DC 20429. The fax number is 202-898-3838.

Each request to participate must indicate: the name of the proposed witness and this person's interest in the issues; the name, size and location of any institution or organization being represented; and the telephone and fax numbers where the person can be reached. Participants will be notified no later than the close of business on March 10 of the time of their scheduled testimony and the amount of time allotted for their oral presentation. Each witness must mail or deliver to Mr. Feldman's address, for receipt by the close of business on March 14, a written copy of the testimony that will be presented at the hearing plus a two-to-three page summary. For more information about submitting a request to testify, please contact Mr. Feldman at 202-898-6757.

The FDIC hopes to accommodate as many requests to testify as possible. However, in the event there are too many requests to testify, participants may be strictly limited in the amount of time allotted for oral testimony and may be grouped in a panel. The agency reserves the right to limit the number of witnesses because of time considerations and to restrict the list of witnesses to those with a legitimate interest in the issues. The FDIC seeks a broad cross-section of views on the issues. All written testimony submitted under this procedure will be considered as comments.

The proposals regarding BIF and SAIF assessment rates were published in the Federal Register on February 16, 1995 (Volume 60, Pages 9270 and 9266). The following is a list of issues that witnesses may wish to address in testimony:

BIF Proposal

1. What is the proper reading of the legal requirement that the FDIC "set assessments...to maintain the reserve ratio at the designated reserve ratio" of $1.25 for every $100 of insured deposits?

2. Is it permissible for the reserve ratio to exceed the required 1.25 percent ratio as a result of investment income from risk-based assessments?

3. Does the FDIC have the legal authority to "rebate" assessment income to BIF-insured institutions when the BIF balance remains above the 1.25 percent ratio?

4. Does the FDIC have the legal authority to take into account a potential premium differential between BIF and SAIF members in setting BIF assessment rates?

5. Is the proposed assessment schedule of four to 31 basis points appropriate?

6. Is the proposed increase in the assessment spreads between the nine risk categories appropriate?

7. Is the proposed process appropriate for applying the new premiums the first time the 1.25 percent ratio is achieved?
8. Is it appropriate, as proposed, to raise or lower within a specified range the entire rate schedule without first seeking public comment? If so, is the proposed range of five basis points appropriate for this adjustment?

SAIF Proposal

9. What would be the effect on SAIF members of the premium differential between BIF and SAIF rates when BIF rates are lowered?

10. Does the FDIC have the legal authority to take into account a potential premium differential between BIF and SAIF members in setting SAIF assessment rates?

11. Should SAIF rates be lowered, as permitted by law, to an average of 18 cents per $100 of domestic deposits when BIF rates are lowered?

12. Should the current spread of eight basis points between the highest and lowest SAIF rates be maintained or widened?

13. What would be the impact of lowering SAIF rates on the capitalization of the SAIF?

14. To what extent would shrinkage in the assessment base for the SAIF affect: (i) the rate at which the SAIF capitalizes and (ii) the availability of assessments to meet payments on Financing Corporation (FICO) bonds?

15. Does the FDIC have the legal authority to set SAIF assessment rates to assure sufficient revenues for the Financing Corporation to meet debt service obligations on the FICO bonds?