FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 327

RIN—3064–AB59

Assessments; Retention of Existing Assessment Rate Schedule for SAIF Member Institutions

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Proposed rule.

SUMMARY: Based upon the results of its semiannual review of the recapitalization of the Savings Association Insurance Fund (SAIF) and of the SAIF assessment rates, the Board of Directors of the FDIC (Board) proposes to retain the existing assessment rate schedule applicable to SAIF-member institutions. The effect of this proposal would be that the SAIF assessment rate to be paid by SAIF members would continue to range from 23 cents per $100 of domestic deposits to 31 cents per $100 of domestic deposits, depending on risk classification. Through this proposed rulemaking, the FDIC is soliciting comments on all aspects of its proposal to retain the existing assessment rate schedule applicable to SAIF-member institutions.

DATES: Written comments must be received by the FDIC on or before April 17, 1995.

ADDRESSES: Written comments shall be addressed to the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429. Comments may be hand-delivered to Room F–400, 1776 F Street, N.W., Washington, D.C., on business days between 8:30 a.m. and 5:00 p.m. (FAX number: 202/898–3838). Comments will be available for inspection in Room 7118, 550 17th Street, N.W., Washington, D.C. between 9:00 a.m. and 4:30 p.m. on business days.

FOR FURTHER INFORMATION CONTACT: James R. McFadyen, Senior Financial Analyst, Division of Research and Statistics (202/898–7027), Federal Deposit Insurance Corporation, Washington, D.C. 20429.

SUPPLEMENTARY INFORMATION:

I. Background: SAIF Assessment Rates

Section 7(b) of the Federal Deposit Insurance Act (FDI Act) (12 U.S.C. 1817(b)) requires that, if the SAIF reserve ratio is below the designated reserve ratio of 1.25 percent, the FDIC shall set assessments to increase the reserve ratio to the designated reserve ratio.[1] Section 7(b) of the FDI Act also requires a minimum SAIF assessment that is at least as much as would be raised by an average assessment rate of 18 basis points. The minimum assessment requirement is in effect as long as the SAIF is not fully capitalized or has outstanding borrowings under section 14 of the FDI Act. If either of these two conditions exists as of January 1, 1998, the minimum assessment requirement increases to a rate of 23 basis points.

In order to achieve SAIF recapitalization, the FDIC Board of Directors (Board) adopted a risk-related assessment matrix in September 1992 (see Table 1) which has remained unchanged. Previously, in deciding against changes in the SAIF assessment rate, the Board has considered the SAIF's expected operating expenses, case resolution expenditures and income under a range of scenarios. The Board also has considered the effect of an increase in the assessment rate on SAIF members' earnings and capital. When first adopted, the assessment rate schedule yielded a weighted average rate of 25.9 basis points. With subsequent improvements in the industry and the migration of institutions to lower rates within the assessment matrix, the average rate has declined to 24 basis points (based on risk-based assessment categories as of January 1, 1995 and the assessment base as of September 30, 1994—see Table 2).

TABLE 1.—SAIF-MEMBER ASSESSMENT RATE SCHEDULE FOR THE FIRST SEMIANNUAL ASSESSMENT PERIOD OF 1995

[Basis points]

Capital group	Supervisory subgroup A	B	C
Well capitalized	23	26	29
Adequately capitalized	26	29	30
Undercapitalized	29	30	31

TABLE 2.—SAIF-MEMBER ASSESSMENT RATE DISTRIBUTION AS OF SEPTEMBER 30, 1994*

[Billions of dollars]

Capital group		Supervisory subgroup A Amount	A Percent	B Amount	B Percent	C Amount	C Percent
Well capitalized	Number	1,585	85.6	139	7.5	35	1.9
	Assets	$526.5	70.7	$109.9	14.8	$20.4	2.7
	Base	386.6	72.3	74.5	13.9	15.3	2.9
Adequately capitalized	Number	28	1.5	34	1.8	21	1.1
	Assets	$25.5	3.4	$22.0	3.0	$32.9	4.4
	Base	15.7	2.9	15.9	3.0	21.5	4.0
Under capitalized	Number	0	0.0	0	0.0	10	0.5
	Assets	$0.0	0.0	$0.0	0.0	$7.4	1.0
	Base	0.0	0.0	0.0	0.0	5.7	1.1

*''Base'' is the amount of deposits subject to SAIF assessments.

The primary source of funds for the SAIF is assessment revenue from SAIF-member institutions. Since the creation of the fund and through the end of 1992, however, all assessments from SAIF-member institutions were diverted to

[1] Currently, there is no recapitalization schedule for the SAIF mandated by statute. However, as of January 1, 1998, the Board is required to promulgate a recapitalization schedule that achieves the designated reserve ratio within 15 years, except that the Board may extend the recapitalization date to one which ''will, over time, maximize the amount of semiannual assessments received by the SAIF, net of insurance losses incurred by the Fund''.

other needs as required by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).[2] Only assessment revenue generated from Bank Insurance Fund (BIF) member institutions that acquired SAIF-insured deposits under section 5(d)(3) of the FDI Act (12 U.S.C. 1815(d)(3)) (so-called ''Oakar'' banks) was deposited in the SAIF throughout this period.

SAIF-member assessment revenue began flowing into the SAIF on January 1, 1993. However, the Financing Corporation (FICO) has a priority claim on SAIF-member assessments in order to service FICO bond obligations. Under existing statutory provisions, FICO has assessment authority through 2019, the maturity year of its last bond issuance. At approximately $779 million per year, the FICO draw is substantial, representing nearly 45 percent of estimated assessment revenue for 1995, or 11 basis points of the average assessment rate of 24 basis points. The SAIF had a balance of $1.8 billion (unaudited) on December 31, 1994. With primary resolution responsibility residing with the Resolution Trust Corporation (RTC), there have been few demands on the SAIF, but the authority of the RTC to place failed thrifts in conservatorship or establish receiverships expires June 30, 1995.

In addition to assessment revenues and investment income, there are at least two other potential sources of funds for the SAIF. First, the FDIC has a $30 billion line of credit available with the Department of the Treasury (Treasury) for deposit insurance purposes, although the SAIF has required no extension of credit. Second, the Resolution Trust Corporation Completion Act (RTCCA) authorized the appropriation of up to $8 billion in Treasury funds to pay for losses incurred by the SAIF during fiscal years 1994 through 1998, to the extent of the availability of appropriated funds and provided that certain certifications are made to the Congress by the Chairman of the FDIC. Among these, the Chairman must certify that the FDIC Board has determined that:

(1) SAIF members are unable to pay additional semiannual assessments at the rates required to cover losses and to meet the repayment schedule for any amount borrowed from the Treasury for insurance purposes under the FDIC's line of credit without adversely affecting the SAIF members' ability to raise capital or to maintain the assessment base; and

(2) An increase in assessment rates for SAIF members to cover losses or meet any repayment schedule could reasonably be expected to result in greater losses to the Government.

The RTC's resolution activities and the thrift industry's substantial reduction of troubled assets in recent years have resulted in a relatively sound industry as the July 1, 1995 date for SAIF resolution responsibility approaches. However, with a balance of $1.8 billion beginning 1995, the SAIF does not have a large cushion with which to absorb the costs of thrift failures. The FDIC has significantly reduced its projections of failed-thrift assets for 1995 and 1996, but the failure of a single large institution or an economic downturn leading to higher than anticipated losses could render the fund insolvent.

Furthermore, there may soon be a substantial differential between BIF and SAIF premiums. The BIF is expected to be recapitalized during 1995, at which time BIF premiums can be reduced far below current levels. Largely due to the FICO obligation, the SAIF is not likely to be recapitalized until 2002 (this projection is discussed below in section III). A premium differential may have adverse consequences for SAIF members, including reduced earnings and an impaired ability to raise funds in the capital markets. Among the weakest thrifts, this differential could result in competitive pressures that would lead to additional failures. An analysis over a five year time span suggests that any such increase in failures is likely to be sufficiently small as to be manageable by the SAIF under current interest-rate and asset quality conditions. Moreover, the analysis indicates that under harsher interest-rate and asset-quality assumptions, these economic factors would have a significantly greater effect on SAIF-member failure rates than would a premium differential.

While the premium differential is not expected to lead to significant failures in the near term, it may lead to other adverse results. A premium differential would also create a powerful incentive for SAIF-insured institutions to minimize premium costs by shrinking the base against which assessments are levied (currently domestic deposits). This can be accomplished, despite the moratorium on conversions of SAIF-insured deposits to BIF-insured deposits at these institutions, by substituting nondeposit liabilities for SAIF-insured deposits. These nondeposit liabilities are readily available and include Federal Home Loan Bank (FHLB) advances and reverse repurchase agreements. The net result could be an acceleration of the shrinkage of the assessment base, thereby reducing assessment revenue. This could threaten the ability to service the FICO obligation sometime near or after the year 2000 and, over the longer term, frustrate the capitalization of the SAIF. As shown in the following table, the assessment base has been declining steadily since the fund was established in 1989, although the decline was at a slower rate in 1994.

TABLE 3.—SAIF ASSESSMENT BASE AND INSURED DEPOSITS*

[Dollar amounts in billions]

	Assessment base	Percent change	Est. Insured deposits	Percent change
1989	$950.3		$882.9	6.0
1990	877.7	−7.6	830.0	−6.0
1991	820.2	−6.5	776.4	−6.5
1992	760.5	−7.3	729.5	−6.0
1993	729.4	−4.1	695.6	−4.6
1994	716.3	−1.8	687.3	−1.2

*Includes conservatorships and Sasser institutions; adjusted for Oakar deposits. End-of-period domestic deposits are used to approximate the SAIF assessment base. The actual assessment base may be slightly less than domestic deposits due to float adjustments, but period-to-period changes should be similar. Table 3 presents end-of-period figures (the comparable table in earlier proposals used averages) to reflect the quarterly billing system which becomes effective the second quarter of 1995.

[2] From 1989 through 1992, more than 90 percent of SAIF assessment revenue went to the FSLIC Resolution Fund (FRF), the Resolution Funding Corporation (REFCORP) and the Financing Corporation (FICO).

The FDIC's Legal Division has opined that SAIF assessments paid by BIF-member Oakar banks should remain in the SAIF and are not subject to FICO draws.[3] Further, the Legal Division has opined that SAIF assessments paid by any former savings association that (i) has converted from a savings association charter to a bank charter, and (ii) remains a SAIF member in accordance with section 5(d)(2)(G) of the FDI Act (12 U.S.C. 1815(d)(2)(G)) (a so-called ''Sasser'' bank), are likewise not subject to draws by FICO.[4] On September 30, 1994, BIF-member Oakar banks held 23.3 percent of the SAIF assessment base (see Table 4), and SAIF-member Sasser banks held an additional 6.9 percent. While the pace of Oakar acquisitions is likely to slow substantially as RTC resolution activity winds down in 1995, Oakar deposits may continue to grow at the same rate as BIF-member deposits and become a greater proportion of the SAIF assessment base.[5] This has the potential result of SAIF's having insufficient assessments to cover the FICO obligation. The rate of Sasser conversions is difficult to predict and is partially dependent on state laws, but any future conversions would also decrease the proportion of SAIF assessment revenues available to FICO. These factors are considered in the projections of SAIF's recapitalization in section III.

TABLE 4.—SAIF-INSURED DEPOSITS HELD BY BIF-MEMBER OAKAR BANKS AS A PERCENT OF SAIF MEMBER DOMESTIC DEPOSITS*

Year	Percent
1991	7.5
1992	9.7
1993	18.4
9/94	23.3

*End-of-period figures; domestic deposits are adjusted for Oakar deposits.

II. Condition and Performance of SAIF-Member Institutions

SAIF-member institutions numbered 1,869 on September 30, 1994, including 1,794 thrift institutions and 75 commercial banks.[6] While the total number of institutions is down from year-end 1993, there is evidence of a growing industry. For the first three quarters of 1994, these institutions increased their total assets by $6.8 billion (0.9 percent) based on loan growth of $6.3 billion. Total capital grew at an even faster pace for the nine months, raising the equity-to-assets ratio to 7.90 percent from 7.74 percent. The industry continued to pare troubled assets during 1994. Noncurrent loans and other real estate owned declined from 1.91 percent of total assets at the beginning of 1994 to 1.43 percent by September 30.

The industry earned a return on assets of 0.62 percent for the first three quarters of 1994. While this is less than the ROA of 0.72 percent earned in 1993, the earlier year included large one-time accounting gains. Also, some institutions incurred large restructuring charges in 1994 in order to dispose of troubled assets, which has positioned them for higher profits in subsequent periods. Earnings in 1994 were hampered by smaller net interest margins, which fell from 3.35 for all of 1993 to 3.24 for the first nine months of 1994. In the rising interest-rate environment, institutions' funding costs rose faster than asset yields, although institutions with higher proportions of adjustable-rate mortgages should be able to reprice a portion of these loans within six months.

This discussion has focused on the improving condition of the SAIF-member thrift industry, but any such discussion must mention the relatively weak economic conditions still confronting a large segment of the industry. Twenty-three percent of all SAIF member's total assets are concentrated in the nation's seven largest thrift institutions, all of which are headquartered in California. This state, in general, has lagged behind most of the nation in recovering from the most recent recession, and many California thrifts have significant exposure in the weakest areas of southern California. Additionally, a few large institutions have raised supervisory concerns due to low earnings and relatively high levels of risk in their loan portfolios. Consequently, despite the improving health of the thrift industry, the SAIF still faces significant risk relative to the fund's current reserve level.

The current assessment rate schedule for SAIF-member institutions has a spread of 8 basis points from the lowest rate to the highest rate, dependent on supervisory factors and capitalization. A proposed assessment rate schedule for BIF-member institutions would increase the spread for BIF members from the current 8 basis points to 27 basis points. This would be accomplished by maintaining the current maximum rate of 31 basis points and dropping the minimum, most favorable rate to 4 basis points. Thus, the weakest BIF members would incur no additional deposit insurance cost. In order to apply a similar 27-basis point spread to SAIF members, it would be necessary to raise the highest SAIF assessment rate to 45 to 50 basis points (based on a lowest rate of 18 to 23 basis points). Because 85 percent of SAIF members would continue to pay the lowest rate, the revenue benefit of a 27-basis point spread would be limited. However, a spread of that magnitude could have significant adverse consequences for the SAIF by greatly increasing expenses of its weakest members and, in all likelihood, causing additional failures.

III. New Projections for the SAIF

In November 1994, the FDIC's interdivisional Bank and Thrift Failure Working Group (Working Group) estimated failed SAIF-insured institution assets at $3 billion for 1995 and $2 billion for 1996. The 1995 estimate of $3 billion is based on the FDIC Division of Supervision's projected failure of specific institutions that likely would occur in the second half of the year, when SAIF assumes resolution responsibility from the RTC. The 1995 and 1996 estimates were used in updating the Division of Research and Statistics' projections of failed thrift assets, the fund balance and reserve ratios.

The updated projection indicates the SAIF reserve ratio will reach 1.25 percent in 2002, which is unchanged from the previous projection. Also, this projection indicates the fund will not encounter problems meeting the FICO obligation through 2012, the last year of the projection. The results are shown in Table 5.

The following assumptions were used:

• Failed-institution assets are based on the Working Group's estimates for 1995 ($3 billion) and 1996 ($2 billion). Beyond 1996, the assumed failed-asset rate for SAIF will be 22 basis points, or about $2 billion per year. This is lower than the historical loss rate for the BIF because of the thrift industry's current low level of problem assets.

• The nominal loss rate on failed thrift assets will be 13 percent.

• The asset growth rate for SAIF members will be zero, based on the industry's recent experience.

• The SAIF assessment base will continue to shrink, at 2 percent per year. Under current conditions, the

[3] See Notice of FDIC General Counsel's Opinion No. 7, 60 FR 7055 (Feb. 6, 1995).

[4] *Id.*

[5] Under section 5(d)(3) of the FDI Act, as amended by FDICIA, SAIF-insured deposits acquired by a BIF member are adjusted annually by the acquiring institution's overall deposit growth rate (excluding the effects of other mergers or acquisitions).

[6] Excluding RTC conservatorships and one self-liquidating institution.

assessment base for better capitalized thrifts is expected to be stable. Deposit shrinkage was more prevalent at weaker thrifts during periods when some better-managed thrifts experienced deposit growth.[7] However, the emergence of a BIF/SAIF premium differential may encourage less reliance on SAIF-assessable liabilities. The higher overall shrinkage rates of recent years are not expected to continue because a significant portion of the shrinkage was due to depositor flight from the declining or low deposit interest rates which prevailed from 1990 to the latter part of 1994. Another portion of the shrinkage can be attributed to deposit runoff at conservatorships and weakened thrifts.

• The Oakar deposit purchase rate will be zero, but Oakar deposits will grow at 2 percent per year, the estimated growth rate for BIF-member deposits. Under FDICIA, Oakar deposits are adjusted annually by the acquiring institution's overall deposit growth rate. A significant portion of Oakar deposits were acquired from the RTC, and these opportunities have all but disappeared. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 authorizes a bank holding company to acquire out-of-state banks beginning September 29, 1995, and authorizes a bank to establish *de novo* out-of-state branches beginning June 1, 1997 if the host state expressly permits interstate branching through the establishment of *de novo* branches. Thus, banks may no longer be confined to the acquisition of failed or failing charters to enter states previously closed to them.

• The average assessment rate will be 24 basis points until the SAIF is recapitalized, after which assessment rates are reduced to the level necessary to maintain the reserve ratio at 1.25 percent.

TABLE 5.—SAIF FUND BALANCE AND RESERVE RATIO PROJECTIONS

Year-end	Fund balance ($ billions)		Reserve ratio*	
	9/94 Projection	1/95 current projection**	9/94 Projection (percent)	1/95 current projection (percent)
1994	$2.2	$1.8	0.31	0.26
1995	2.9	2.4	0.43	0.35
1996	3.7	3.3	0.55	0.49
1997	4.4	4.1	0.67	0.61
1998	5.1	4.8	0.79	0.74
1999	5.7	5.6	0.92	0.86
2000	6.4	6.5	1.05	1.00
2001	7.1	7.3	1.19	1.14
2002	7.3	8.0	1.25	1.25
2003	6.8	7.9	1.25	1.25
2004	7.0	7.8	1.25	1.25
2005	6.8	7.8	1.25	1.25
2006	6.7	7.7	1.25	1.25
2007	6.5	7.7	1.25	1.25
2008	6.4	7.6	1.25	1.25
2009	6.3	7.6	1.25	1.25
2010	6.2	7.6	1.25	1.25
2011	6.0	7.5	1.25	1.25
2012	5.9	7.5	1.25	1.25

* After reaching 1.25 percent of insured deposits, the fund balance is maintained at 1.25 percent of insured deposits.
** The estimated year-end 1994 fund balance is less than was shown for September because of loss reserves set aside in the fourth quarter. The 1/95 projected fund balance incorporates an Oakar deposit growth factor, whereas the 9/94 projection did not.

As stated earlier, the Board has the authority to reduce SAIF assessment rates to an average of 18 basis points until January 1, 1998, at which time the average rate would rise to 23 basis points until recapitalization occurs. Projections made under this scenario (and using the same other assumptions as above) indicate that the SAIF would recapitalize in 2004, or two years later than under the existing rate schedule.

IV. FDIC Proposal Regarding SAIF-Member Assessment Rates

Given the fund's relatively low balance and the imminent transfer of resolution authority from the RTC to the SAIF on July 1, the SAIF must be built as quickly as possible to its mandated reserve level. It is recognized that a differential between BIF and SAIF premiums could adversely affect some SAIF members, but the thrift industry has demonstrated its ability to generate additional capital and reduce troubled assets while paying deposit insurance premiums at the current levels. Also, a shrinking assessment base is producing declining revenue, which would be cut even further by lower assessment rates. The FDIC staff has recommended that assessment rates within the risk-related assessment rate matrix remain at their current levels for the second semiannual assessment period of 1995. The Board believes that the minimum rate should not be reduced from the current 23 basis points, and that an increase in the current spread of 8 basis points from the lowest to the highest assessment rates would adversely impact weakened institutions already in danger of failure.

V. Summary

Under the existing SAIF assessment rate schedule, which yields an average assessment rate of 24 basis points, the fund is projected to recapitalize in the year 2002, which is unchanged from prior projections. The Board has the authority to reduce SAIF assessment rates to 18 basis points until January 1, 1998, after which the average rate must remain at 23 basis points or higher until recapitalization is achieved. Reducing the average rate to 18 basis points is presently projected to delay SAIF recapitalization for two years, until 2004. Although the industry is relatively healthy, FDIC staff has recommended

[7] Deposit Flows at SAIF- and BIF-Insured Institutions: December 1988 to September 1992, Policy Research Division, Office of Thrift Supervision, January 1993.

that the Board retain the existing assessment rate schedule for the second semiannual assessment period of 1995 so that recapitalization is accomplished as soon as possible. The SAIF had an estimated balance of $1.8 billion (unaudited) at year-end 1994, and SAIF assumes resolution responsibility from the RTC on July 1, 1995. Although estimated failed-institution assets appear manageable for 1995 and 1996, the SAIF remains vulnerable in the short run to a single large-institution failure and to any significant increase in anticipated loss rates.

VI. Request for Public Comment

Based upon the results of its semiannual review of the recapitalization of the SAIF and of the SAIF assessment rates, the FDIC is inclined to retain the existing assessment rate schedule applicable to SAIF-member institutions. The FDIC wishes to have the benefit of public comment before ending its review for this period, however. The FDIC therefore requests comment as to whether it is appropriate for the FDIC to retain the existing assessment rate schedule applicable to SAIF-members, or whether the rates should be lowered to the statutory minimum of 18 basis points or some point in between. The FDIC is interested in receiving analyses exploring the impact a differential between BIF and SAIF premiums might have on SAIF members, and the FDIC invites comment as to whether the current spread of 8 basis points from the lowest to the highest assessment rates should be retained for SAIF members. The FDIC solicits comment as to how lower SAIF rates would impact current efforts to recapitalize the SAIF. The FDIC further invites comments as to whether current rates are sufficient to recapitalize the SAIF in an expeditious manner.

VII. Paperwork Reduction Act

No collection of information pursuant to section 3504(h) of the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 *et seq.*) are contained in this proposed rule. Consequently, no information has been submitted to the Office of Management and Budget (OMB) for review.

VIII. Regulatory Flexibility Analysis

The Board hereby certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601, et seq.). This proposed rule will not necessitate the development of sophisticated recordkeeping or reporting systems by small institutions nor will small institutions need to seek out the expertise of specialized accountants, lawyers, or managers to comply with this proposed rule. Therefore, the provisions of that Act regarding an initial and final regulatory flexibility analysis (Id. at 603 and 604) do not apply here.

List of Subjects in 12 CFR Part 327

Assessments, Bank deposit insurance, Banks, Banking, Financing Corporation, Savings associations.

For the reasons set forth in the preamble, the Board of Directors of the Federal Deposit Insurance Corporation proposes to amend part 327 of title 12 of the Code of Federal Regulations as follows:

PART 327—ASSESSMENTS

1. The authority citation for part 327 continues to read as follows:

Authority: 12 U.S.C. 1441, 1441b, 1817–1819.

2. Paragraph (c)(1) of § 327.9 as added at 59 FR 67165, effective April 1, 1995, will be retained without change. The text of paragraph (c)(1) is republished for the convenience of the reader to read as follows:

§ 327.9 Assessment rate schedules.

* * * * *

(c) *SAIF members.* (1) Subject to § 327.4(c), the annual assessment rate for each SAIF member shall be the rate designated in the following schedule applicable to the assessment risk classification assigned by the Corporation under § 327.4(a) to that SAIF member (the schedule utilizes the group and subgroup designations specified in § 327.4(a)):

SCHEDULE

Capital group	Supervisory subgroup		
	A	B	C
1	23	26	29
2	26	29	30
3	29	30	31

* * * * *

By the order of the Board of Directors.

Dated at Washington, D.C., this 31 day of January, 1995.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Acting Executive Secretary.

[FR Doc. 95–3669 Filed 2–15–95; 8:45 am]

BILLING CODE 6714–01–P

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 327

RIN 3064–AB58

Assessments; New Assessment Rate Schedule for BIF Member Institutions

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Proposed Rule.

SUMMARY: The Board of Directors (Board) of the Federal Deposit Insurance Corporation (FDIC) is proposing to amend its regulation on assessments to establish a new assessment rate schedule of 4–31 basis points for members of the Bank Insurance Fund (BIF) to apply to the semiannual period in which the reserve ratio of the BIF reaches the designated reserve ratio (DRR) of 1.25% of total estimated insured deposits and to semiannual periods thereafter. The Board is further proposing to amend the assessment risk classification framework to widen the existing assessment rate spread from 8 basis points to 27 basis points.

When the DRR is achieved, the Board is required to set rates to maintain the reserve ratio at the DRR. Based on current projections, the reserve ratio is expected to reach the DRR between May 1 and July 31, 1995. Therefore, the Board is proposing to lower assessment rates to maintain the reserve ratio at the DRR and to maintain a risk-based assessment system. The Board is further proposing to amend the assessments regulation to establish a procedure for adjusting the proposed rate schedule semiannually as necessary to maintain the DRR at 1.25%.

DATES: Written comments must be received by the FDIC on or before April 17, 1995.

ADDRESSES: Written comments shall be addressed to the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, DC 20429. Comments may be hand-delivered to room F–400, 1776 F Street NW., Washington, DC 20429, on business days between 8:30 a.m. and 5 p.m. (FAX number: (202) 898–3838). Comments will be available for inspection in room 7118, 550 17th Street, NW., Washington, DC, between 9 a.m. and 4:30 p.m. on business days.

FOR FURTHER INFORMATION CONTACT: Christine Blair, Financial Economist, Division of Research (202) 898–3936; or Connie Brindle, Chief, Assessment Operations Section, Division of Finance, (703) 516–5553; or Lisa Stanley, Senior Counsel, Legal Division (202) 898–7494;