



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, DC 20429

Division of Supervision

Insurance Assessments

FIL-37-95  
May 24, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Proposed Assessment Rates*

In January of this year, the Federal Deposit Insurance Corporation (FDIC) issued a proposal to reduce premiums for all but the riskiest Bank Insurance Fund (BIF) members once the BIF reserve ratio attains the designated reserve ratio (DRR) of 1.25 percent of estimated insured deposits. This letter is to clarify questions that have been raised about the proposal. Chairman Helfer has testified before Congress that the law requires the FDIC to lower BIF rates as soon as we can confirm the BIF has recapitalized at the DRR.

The FDIC has received over 3,200 comment letters in response to its proposals to lower BIF deposit insurance rates and maintain rates for Savings association Insurance Fund members at current levels. We are required by law to give these comments careful consideration.

The timing for adoption of a final rule, however, will not affect the amount of any premium reduction the Board would adopt or the refunds that would be made following recapitalization of the BIF. The January proposal contemplates a refund with interest of any overpayment for the semiannual period during which the DRR is first achieved. As stated in the January proposal, under the law any reduction in BIF premiums may not take effect until the FDIC confirms numerically that the BIF reserve ratio has in fact attained the DRR. The reserve ratio is the dollar amount of the BIF fund balance divided by the estimated insured deposits of BIF members.

The January proposal also states that the amount of insured deposits (the denominator of the ratio) is based on data from the quarterly reports of condition (call reports) which in most cases must be filed within 30 days after quarter-end dates. Approximately 7,000 banks still file manually rather than electronically. It takes time to bring all the necessary information into the automated data base for analysis. Because of the time lag in filing and verifying call report information, the FDIC cannot confirm that the BIF has achieved the DRR until approximately ten weeks after the call reports have been filed.

If the BIF recapitalizes as currently expected in the second quarter of this year, we will know in mid-September. As the proposal states, any amounts collected in excess of that required under the new premium schedule after the month in which the BIF recapitalizes would be refunded with interest and the new premium rate would apply for the remainder of the semiannual assessment period.

Sincerely,

William A. Longbrake  
Deputy to the Chairman for Finance and Chief Financial Officer

Distribution: Insured Banks and Savings Associations