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

Division of Supervision

Insurance Assessments

FIL-57-95
August 28, 1995

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *Proposed Changes Regarding Assessment Payment Dates, Prepayment Option and Interest Rates*

Under current rules, the FDIC must collect an insured institution's first quarterly insurance assessment payment for a particular calendar year by December 30 of the prior year. For reasons explained below and in the attached Federal Register notice, the FDIC is proposing to add flexibility to the regulation by amending it in three ways.

1. *Change the first quarterly payment due date to the first business day after January 1, rather than December 30 of the prior year.* This proposed change, which primarily would benefit institutions that operate on a cash-basis accounting method, would ensure that institutions are not adversely affected by making five quarterly payments during calendar year 1995 (the four quarters of 1995 plus the first quarter of 1996). All other assessment collection procedures would remain the same. There would be no change in the amount of the assessment due or in other collection dates. The new assessment payment date would be permanent.

2. *Give institutions the option to prepay their assessment payments.* This amendment would accommodate an institution that would prefer the existing payment schedule (i.e., a first payment by December 30), even though it means the institution will be making five payments during 1995. An institution may elect to prepay for the entire semiannual period (January-June) or for the first quarterly installment payment (January-March). All prepayments would be electronically debited, just as the FDIC currently debits an institution's account for quarterly payments. The FDIC would not pay interest on prepaid assessments. The FDIC would develop a form for institutions opting to make prepayments.

3. *Use a more market-based interest rate when calculating assessment underpayments or reimbursing overpayments.* The FDIC currently uses the U.S. Treasury's current value of funds rate computed each year by averaging the investment rates for the 12-month period ending in September. However, this rate has become obsolete in volatile interest rate markets. Under the proposed rule, the FDIC would use an interest rate tied to the three-month Treasury bill. The proposed new rate would more closely match actual market conditions, with the FDIC determining the rate at the beginning of each quarter, beginning January 1, 1996.

Written comments on the proposed changes are due by September 11, 1995. The FDIC expects to adopt and implement a final rule as soon as possible before the January 1996 assessment collection.

For more information about the proposed changes, you may contact me at 703-516-5559.

Allan K. Long
Assistant Director, Treasury

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Inactive

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