



Saif Assessments

FIL-108-96
December 31, 1996

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *FDIC Issues Final Rule on Lower SAIF Assessment Rates (Part 327 of FDIC's Rules and Regulations)*

The FDIC Board of Directors voted on December 11, 1996, to finalize a rule lowering the rates on assessments paid to the Savings Association Insurance Fund (SAIF), effective October 1, 1996. A copy of the final rule is contained in the attached Federal Register notice.

As a result of the special assessment required by the Deposit Insurance Funds Act of 1996 (Funds Act), the SAIF was capitalized at the target Designated Reserve Ratio (DRR) of 1.25 percent of estimated insured deposits on October 1, 1996. Section 7 of the Federal Deposit Insurance Act, as amended by the Funds Act, requires the FDIC to set assessments in order to maintain the target DRR. The Board has, therefore, lowered the rates on assessments paid to the SAIF, while simultaneously widening the spread between the lowest and highest rates to improve the effectiveness of the FDIC's risk-based premium system. The Board has also established a process, similar to that which has applied to the Bank Insurance Fund (BIF), for adjusting the rate schedules for both the SAIF and the BIF within a limited range without notice and comment to maintain each of the fund balances at the target DRR.

The Funds Act also separates, effective January 1, 1997, the Financing Corporation (FICO) assessment to service the interest on its bond obligations from the SAIF assessment. The amount assessed on individual institutions by the FICO will be in addition to the amount paid for deposit insurance according to the FDIC's risk-related assessment rate schedules. However, between October 1, 1996, and January 1, 1997, any amount required by the FICO will be deducted from the amounts the FDIC is authorized to assess SAIF-member savings associations, and must not be assessed against Sasser and BIF-member Oakar institutions. FICO assessment rates for the first semiannual period of 1997 were set at 1.30 basis points annually for BIF-assessable deposits and 6.48 basis points annually for SAIF-assessable deposits. (These rates may be adjusted quarterly to reflect changes in assessment bases for the BIF and the SAIF. By law, the FICO rate on BIF-assessable deposits must be one-fifth the rate on SAIF-assessable deposits until the insurance funds are merged or until January 1, 2000, whichever occurs first.)

The rule establishes a SAIF rate schedule of 0 to 27 basis points effective for Sasser banks and for BIF-member Oakar institutions on October 1, 1996, and effective for all institutions beginning January 1, 1997. The rule establishes a special interim rate schedule of 18 to 27 basis points annually between October 1, 1996, and January 1, 1997, for SAIF-member savings associations that pay assessments to the FICO. The complete rate schedules for the fourth quarter of 1996 are shown in the attached Federal Register notice. Excess assessments already collected under the current assessment schedule in the fourth quarter will be refunded with interest for all institutions that paid assessments to the SAIF.

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Arthur J. Murton
Director

Attachment

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