Statement By Don Powell At a Press Briefing Announcing Publication of The FDIC Quarterly Banking Profile

Washington, D.C. June 12, 2002

Good morning.

This morning I am announcing that estimated insured deposits of the Bank Insurance Fund grew by \$75 billion in the first quarter of 2002. Today's data is noteworthy because, as a result of this growth, the reserve ratio fell to 1.24 percent. This is the first time since 1995 that the ratio has been below the statutory designated reserve ratio of 1.25 percent.

The reserve ratio has declined over the past three years because of deposit growth, bank failures, reserves for expected losses, and a more accurate method of estimating insured deposits.

This new data raises a logical question: Will all banks now have to pay deposit insurance premiums? On this point, let me be as clear as I can. In May, our board determined the FDIC's premium policy for the second half of this year. We chose not to charge premiums. That decision will not be impacted by today's news. The board will meet again in the Fall to determine our assessment policy for the first half of next year. If the BIF is expected to remain below the statutory minimum of 1.25, then we have no choice under the current law: we will assess banks the amount necessary to get the fund back to the target.

Many things could happen between now and then to impact the reserve ratio. Deposit growth is one factor. Our reserves for expected losses are another. And, if we experience additional bank failures, that, too, could impact the ratio.

At this time it is impossible to predict what will happen to any of these variables. Until our next policy meeting, we will continue to do our job, monitor the data as it comes in, and make judgements on the basis of sound internal procedures and the law.

Thank you. I would be happy to take a couple of questions.

Last Updated 06/12/2002