



Deposit Insurance Assessment Rate

FIL-66-98
June 19, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Deposit Insurance Assessment Rate Schedules and Financing Corporation Assessment Rates*

Deposit insurance assessment rates for the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) in effect for the June 30, 1998, quarterly payment, and Financing Corporation (FICO) assessment rates for the same quarterly payment are discussed below. Information is also provided on how insured institutions may obtain the prevailing FDIC and FICO assessment rates in the future.

Deposit Insurance Assessment Rates for the June 30, 1998, Payment

Deposit insurance assessment rate schedules for the BIF and SAIF are reviewed semiannually by the FDIC Board of Directors to ensure that premiums appropriately reflect the risks posed to the insurance funds and that fund reserve ratios are maintained at or above the target Designated Reserve Ratio (DRR) of 1.25 percent. As a result of the most recent semiannual review, the Board voted on April 28, 1998, to maintain the existing BIF and SAIF assessment rate schedules of 0 to 27 basis points (bp) per year for the second semiannual assessment period of 1998.

The current assessment rate schedule for BIF-insured and SAIF-insured institutions follows:

Capital Group	Supervisory Subgroups		
	A	B	C
1. Well	0 bp	3 bp	17 bp
2. Adequate	3 bp	10 bp	24 bp
3. Under	10 bp	24 bp	27 bp

Approximately 95 percent of all BIF-insured institutions are currently listed in the lowest risk category and pay no assessment. The average annual BIF assessment rate is projected to be less than one-tenth of a cent per \$100 of assessable deposits (approximately 0.07 bp) for the second semiannual assessment period of 1998. Nearly 92 percent of SAIF-insured institutions currently pay no assessment. The average annual SAIF assessment rate is projected to be slightly less than three-tenths of a cent per \$100 of assessable deposits (approximately 0.29 bp) for the second semiannual assessment period of 1998.

The BIF reserve ratio (fund balance to estimated insured deposits) was 1.37 percent as of March 31, 1998, and the SAIF reserve ratio stood at 1.36 percent. Based upon the latest available data and projections, the existing rate schedule is expected to maintain the fund reserve ratios at or above the target DRR through year-end 1998. Although the target DRR

likely would be maintained even with lower assessment rates for institutions outside the lowest risk category, the Board believes that the present rate schedule is consistent with the requirement to establish a risk-based assessment system.

FICO Assessment Rates for the June 30, 1998, Payment

The Deposit Insurance Funds Act of 1996 authorized the FICO to levy assessments on BIF- and SAIF-assessable deposits, and stipulated that the BIF rate must equal one-fifth the SAIF rate through year-end 1999, or until the insurance funds are merged, whichever occurs first. Thereafter, BIF and SAIF payers will be assessed pro rata for FICO. FICO rates are adjusted quarterly to reflect changes in the assessment bases of the insurance funds.

The FICO rates for the June 30, 1998, quarterly payment are 1.22 bp, on an annual basis, for BIF-assessable deposits and 6.10 bp for SAIF-assessable deposits, based on deposit balances reflected in the March 31, 1998, Call Reports and Thrift Financial Reports filed by insured institutions.

Sources of Information on FDIC and FICO Assessment Rates

For a given quarter, the prevailing assessment rate schedules for FDIC insurance are reflected on the reverse side of the quarterly assessment invoice, at the bottom of the page. FICO assessment rates in effect for the quarter also are reflected on the reverse side of the quarterly invoice, appearing below the schedules for deposit insurance assessment rates. The quarterly invoice is mailed to all insured institutions at least 30 days prior to the quarterly payment date.

Beginning with the fourth quarter of 1998, current FDIC and FICO assessment rates also will be posted on the FDIC's external Web site at www.fdic.gov.

The FDIC may alter the existing assessment rate structure for deposit insurance and may change the base assessment rates (currently, 4 to 31 bp per year) by rulemaking with notice and comment. Without a notice and comment rulemaking, the FDIC may increase or decrease the current rate schedule uniformly by as much as 5 bp, as deemed necessary to maintain the target DRR. In the future, notification through a Financial Institution Letter (FIL) of deposit insurance assessment rates will be provided only in the event of changes associated with a notice and comment rulemaking or uniform shifts in the BIF or SAIF assessment rate schedule. While the Board will continue to review deposit insurance assessment rates on a semiannual basis, decisions to maintain the existing rate schedule will not result in the issuance of a new FIL. Current FDIC and FICO assessment rate information will continue to be reflected on the quarterly invoice and, as indicated, also will be available on the FDIC's Web site beginning with the fourth quarter of 1998.

Questions about assessment rates should be directed to the FDIC's toll-free Assessment Hotline at 1-800-759-6596 (202-898-7090 in the Washington, D.C., area) between 8:30 a.m. and 4:30 p.m., Eastern Time.

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Director

Distribution: Insured Banks and Savings Associations

NOTE: Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (800-276-6003 or (703) 562-2200).

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