FDIC NEWS RELEASE

FEDERAL DEPOSIT INSURANCE CORPORATION

FOR IMMEDIATE RELEASE (PR-45-93) (5-5-93)

FDIC TO SEND INSURANCE REFUND CHECKS TO CERTAIN BANKS AND THRIFTS THAT IMPROVED THEIR CAPITAL POSITIONS

The FDIC announced today that, by early June, it will mail insurance premium refund checks to approximately 700 insured banks and savings institutions whose capital ratios improved during the last half of 1992. The checks will be issued under a one-time rebate approved by the FDIC Board of Directors on April 27, 1993, as a form of relief to correct a perceived inequity in one aspect of the start-up of the FDIC's new risk-related premium system.

Under the new system — adopted in September 1992 for implementation last January 1 — the FDIC assigned each insured institution to one of nine risk classifications, with high-risk institutions paying a higher premium. Each institution's risk classification for the first six months of 1993 was based partly on its capital ratios as of June 30, 1992. The Board selected that cut-off date to allow sufficient time to review and verify each institution's capital ratios and notify the institution of its risk classifications well in advance of the January 1, 1993, semiannual assessment period.

However, the FDIC received about 110 requests from institutions asserting that the June 30, 1992, cut-off date was unfair because institutions needed more notice of the capital ratios to be used under the new risk-related premium system. In response to those requests, the FDIC Board last week voted to grant relief to those banks and thrifts that sufficiently improved their capital ratios between July 1, 1992, and December 31, 1992, to warrant a lower premium than originally assessed. Today, the FDIC said it expects to complete

-more-its review of the capital positions of institutions that could be affected by last week's ruling and mail refund checks by early June.

The FDIC decision last week applies only to the January 1, 1993, assessment period. Deposit insurance premiums for the next semiannual assessment period starting July 1, 1993, will be based on capital ratios as of December 31, 1992, as specified in the original timetable.

The Board also decided that banks and thrifts that experienced declines in capital ratios during the second half of 1992 will not be required to pay additional premiums for the first half of 1993.

The decision does not apply to institutions that appealed their risk assignment based on factors other than capital ratios, such as supervisory examination findings during the second half of 1992.

# # #