



# NEWS RELEASE

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## FDIC INCREASES THE PREMIUM BANKS PAY FOR DEPOSIT INSURANCE TO 23 CENTS PER \$100 OF DEPOSITS

The FDIC's Board of Directors today announced that the assessment rate to be paid by members of the Bank Insurance Fund ("BIF") will be changed from 19.5 cents to 23.0 cents per \$100 of deposits. The new rate will apply to the assessment due in the second half of calendar year 1991, and to subsequent assessments. The new rate will affect the approximately 12,300 commercial banks and nearly 500 savings banks that are BIF members.

The new rate is being set in compliance with the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), which requires the FDIC to boost the BIF's reserves to \$1.25 for every \$100 of insured deposits within a reasonable time period. Preliminary figures from the FDIC indicate that the BIF's ratio is well below the target level, with about 42 cents per \$100 at the end of 1990. Current data suggest that the BIF reserve ratio will continue to decline through the end of 1992 unless the assessment rate is increased from the current 19.5 cents per \$100.

FDIC Chairman L. William Seidman said: "This change in the premium rate is one important element in our plan to maintain a strong deposit insurance system at no cost to the American taxpayer. It will generate about \$870 million a year in additional revenue for the Bank Insurance Fund, which should be sufficient to pay the interest and principal on \$10 billion we are considering borrowing for additional working capital."

The decision announced today implements a proposal issued for public comment in February.

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