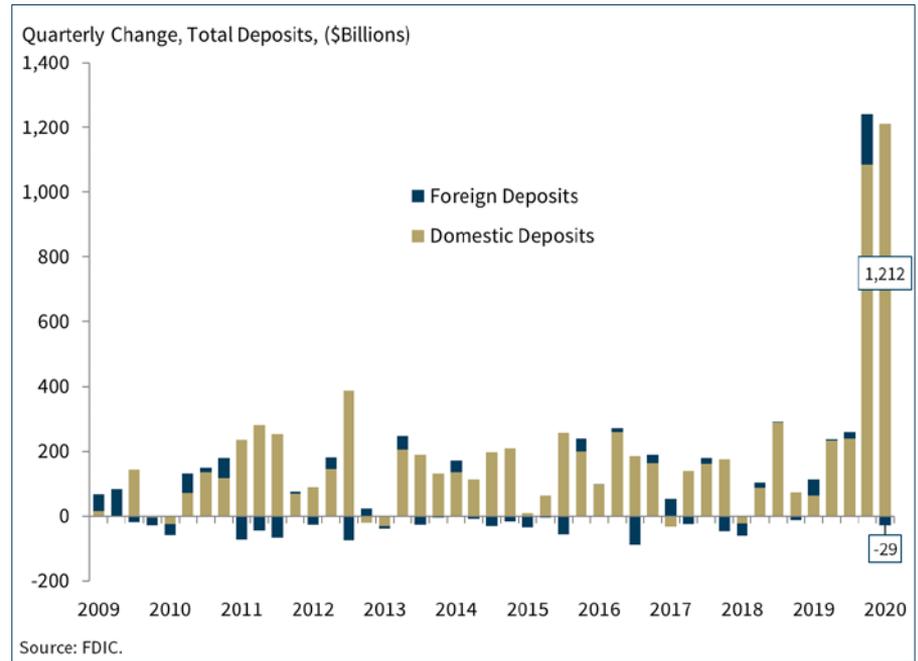
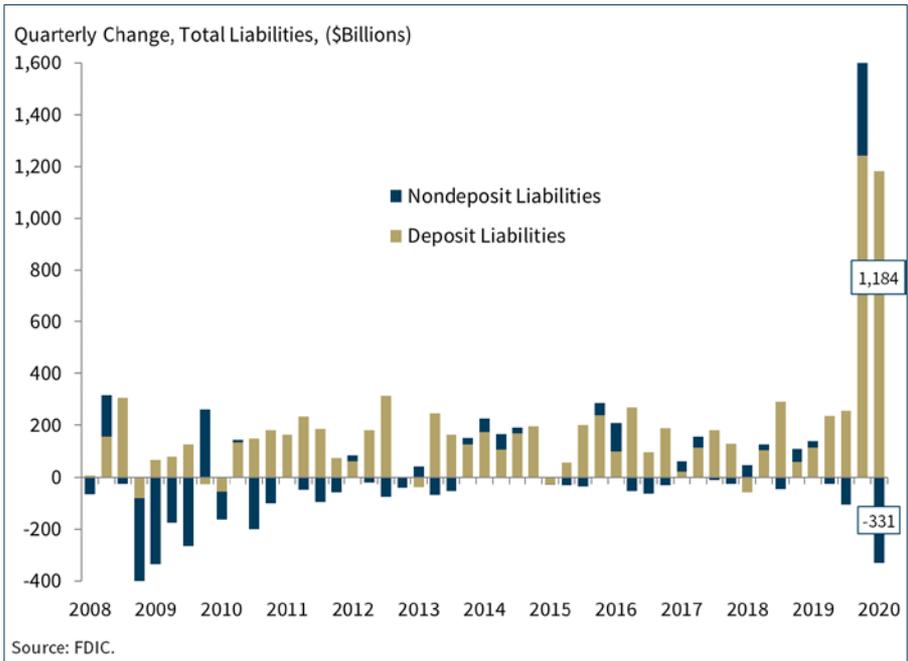


# FDIC Advisory Committee on Community Banking

October 28, 2020

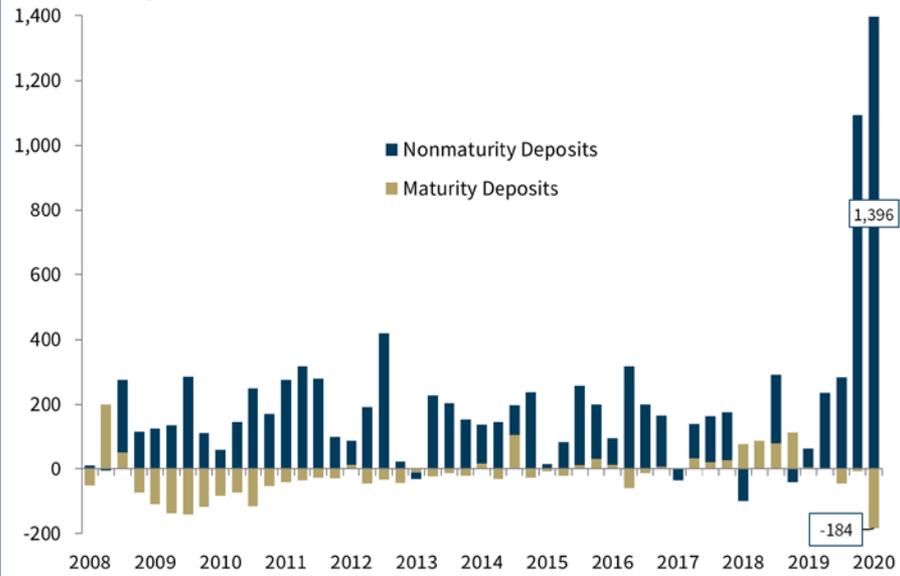
Deposit Growth, the DIF Restoration Plan, and  
the 2020 Academic Challenge

# Growth in liabilities has been driven by domestic deposits



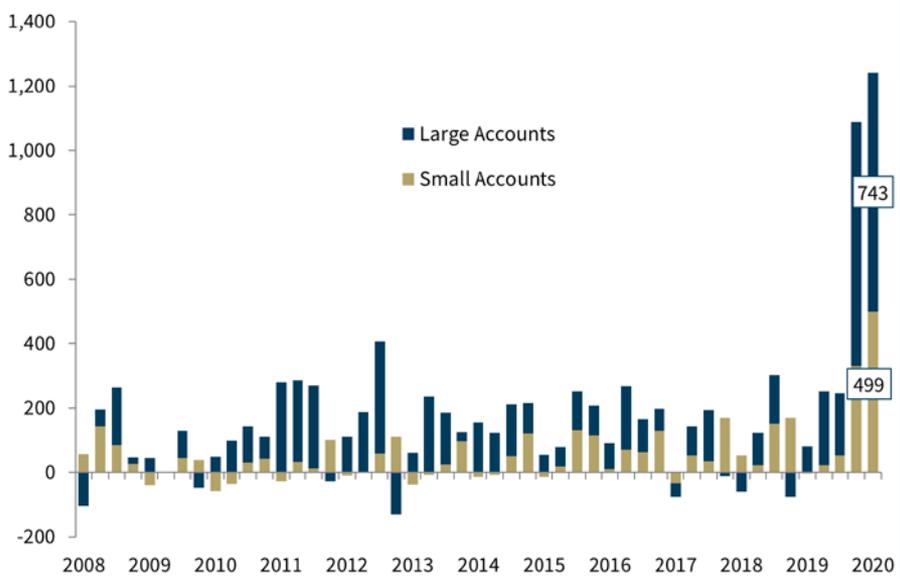
# Banks have reported growth in both nonmaturity deposits and deposit balances in large accounts

Quarterly Change, Domestic Deposits, (\$Billions)



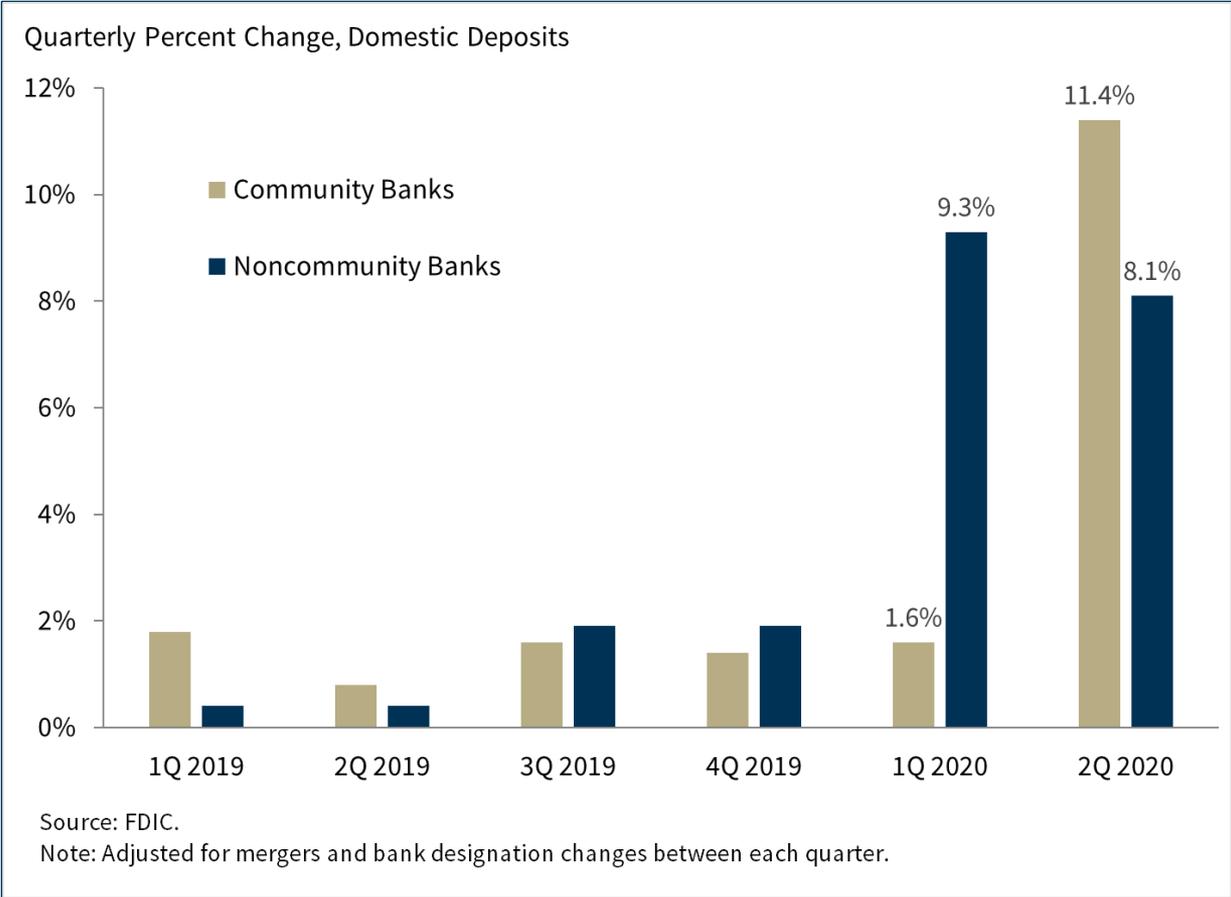
Source: FDIC.

Quarterly Change, Assessable Deposits, (\$Billions)

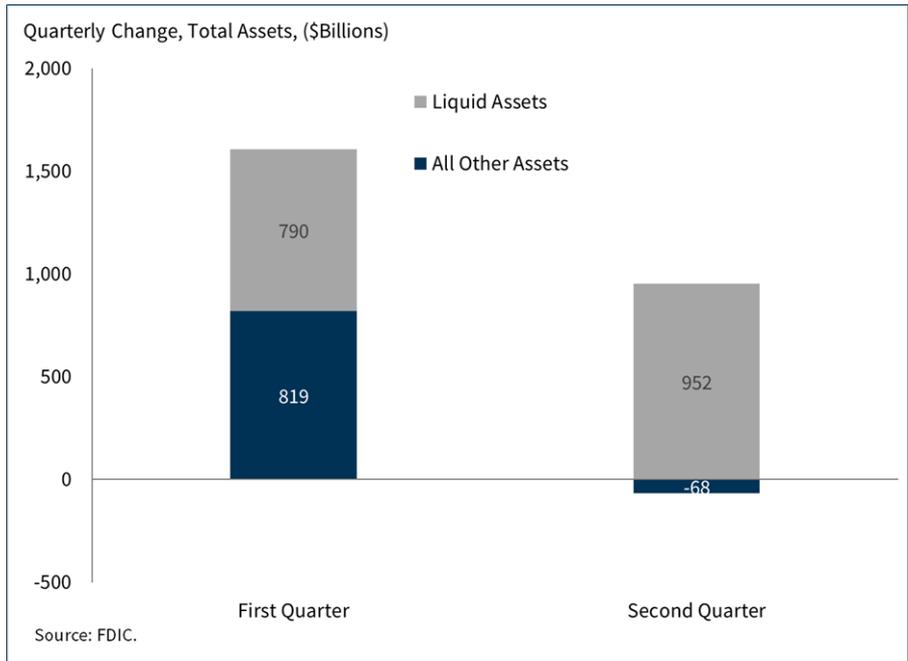
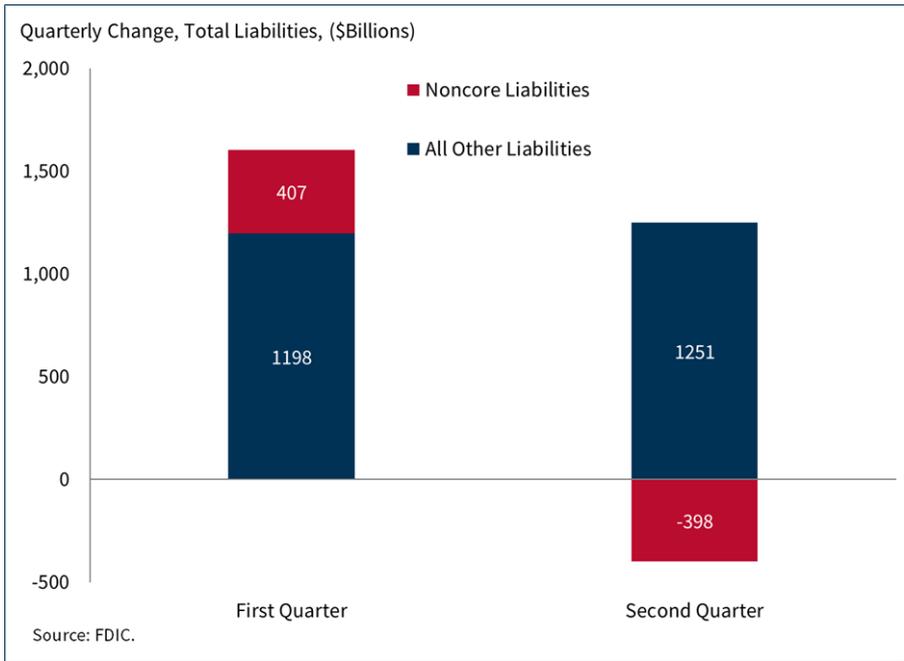


Source: FDIC. Note: Sept. 2009 removed. Beginning that quarter, banks reported based on new insurance limit.

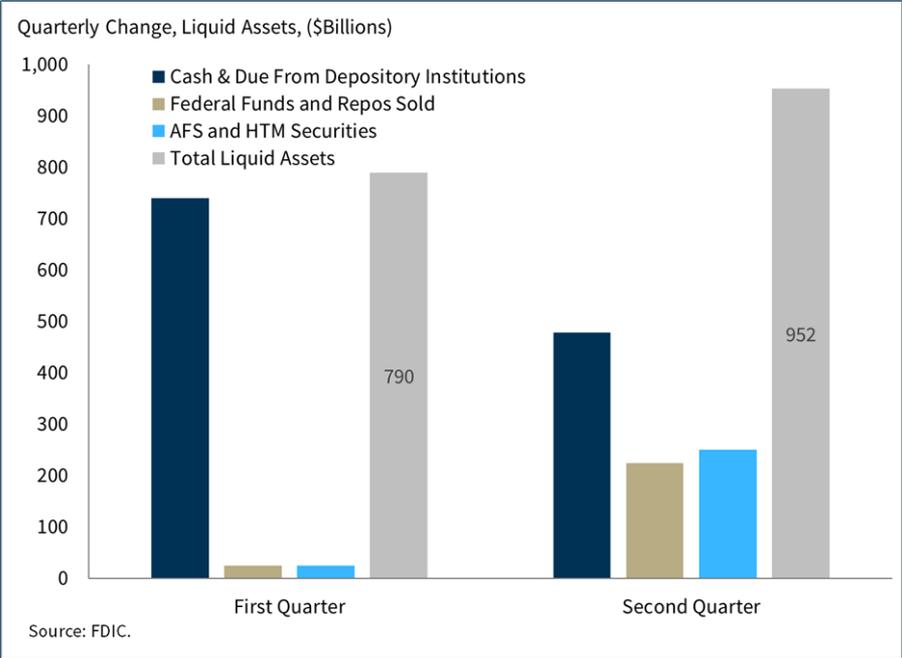
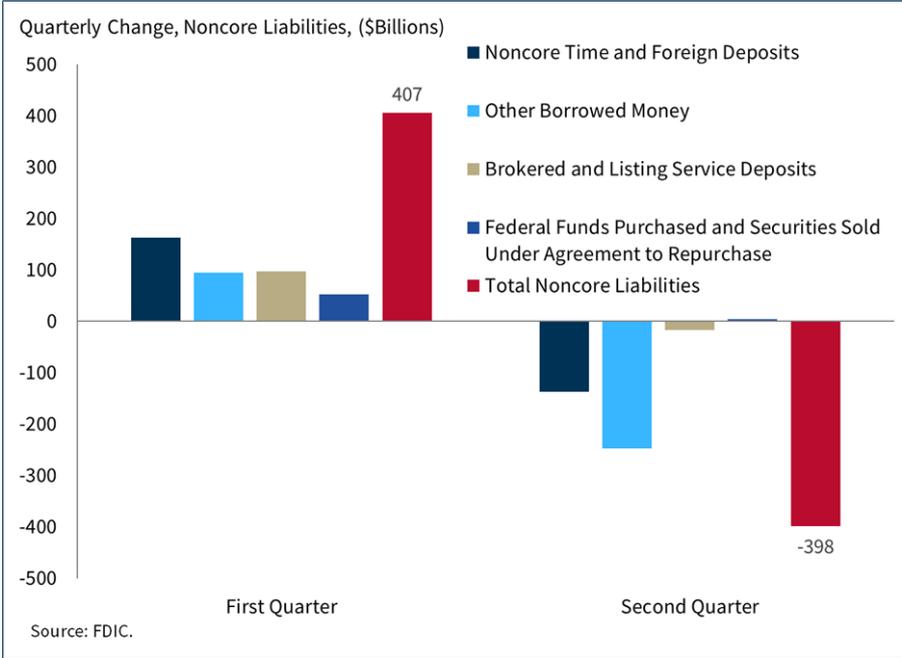
# Noncommunity bank deposit growth took off in first quarter, while community bank deposit growth took off in second quarter



# Growth in noncore liabilities has been limited, growth in liquid assets has been substantial

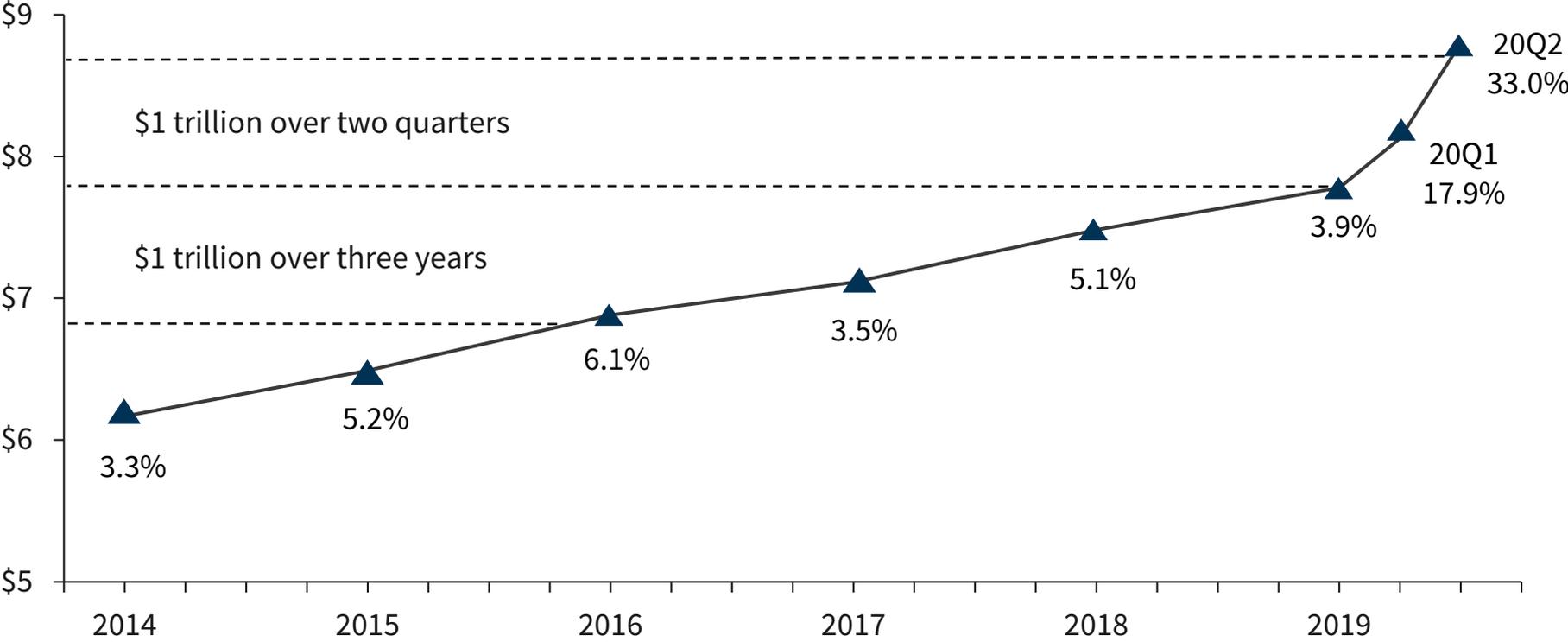


# Noncore liabilities fell in second quarter, while growth in liquid assets accelerated



# Insured Deposit Growth in the First Half of 2020 Equaled Deposit Growth in the Previous Three Years

Annual Growth, December to December, Insured Deposits (\$ Trillions)



Source: FDIC.

# Insured deposit growth caused the DIF reserve ratio to decline below the statutory minimum of 1.35 percent

Fund Balance, Estimated Insured Deposits, and Reserve Ratio

	Fourth Quarter 2019	First Quarter 2020	Second Quarter 2020
Beginning Fund Balance	108.9	110.3	113.2
Plus: Net Assessment Revenue	1.3	1.4	1.8
Plus: Investment Income <sup>a</sup>	0.5	2.0	0.1
Less: Loss Provisions	-0.1	*	*
Less: Operating Expenses	0.5	0.5	0.5
Ending Fund Balance <sup>b</sup>	110.3	113.2	114.7
Estimated Insured Deposits	7,815.2	8,164.2	8,837.3
Ending Reserve Ratio	1.41%	1.39%	1.30%

Dollars in Billions

\* = Less than \$50 million

<sup>a</sup> Includes unrealized gains/losses on available-for-sale securities.

<sup>b</sup> Components of fund balance changes may not sum to totals due to rounding.

# The Restoration Plan adopted by the FDIC Board has three components

1. The FDIC will monitor deposit balance trends, potential losses, and other factors that affect the reserve ratio.
2. The FDIC will maintain the current schedule of assessment rates for all IDIs.
3. At least semiannually, the FDIC will update its analysis and projections for the fund and, if necessary, recommend any modifications to the Plan, such as increasing assessment rates.

# Assuming normal insured deposit growth, the DIF can absorb modest losses and reach 1.35 percent within 8 years

Projected Reserve Ratio at the End of 8 Years Assuming Different Rates of Insured Deposit Growth<sup>a</sup>

Annual Insured Deposit Growth Rate [percent]	Industry Insured Deposits	DIF Reserve Ratio [percent]	DIF Balance needed to reach 1.35 percent reserve ratio	Amount available to absorb losses and reach 1.35 percent
2.5	10,835	1.56	145.7	23.7
3.0	11,279	1.50	151.7	17.7
3.5	11,739	1.44	157.9	11.5
4.0	12,215	1.39	164.3	5.1
4.5	12,708	1.33	170.9	(1.5)

Dollars in Billions

<sup>a</sup> Assumes that: (1) the assessment base grows 4.5 percent, annually; (2) the average assessment rate remains at 4.0 basis points; (3) interest income on the deposit insurance fund balance is zero; and (4) operating expenses grow at 1 percent per year.

# **2020 Academic Challenge:**

## **The Effects of Community Banks on Local Economic Development**

- Bring real-world banking policy questions into the classroom
- Nationwide competition for undergraduate students
- This year's Challenge Question:  
  
“What are the effects of community banks on local economic development?”

## **2020 Academic Challenge: Objectives**

- Increase understanding of the banking industry and the FDIC's role of ensuring the stability of our nation's financial system
- Engage in critical dialogue with undergraduate scholars
- Promote interest in future FDIC careers in the fields of economics, accounting, and finance
- Build relationships between the FDIC, students, and the academic community

## 2020 Academic Challenge: Logistics

- Teams consist of 4 or 5 students with a faculty advisor
- Two rounds:
  - Written component, six pages
  - Five finalists invited to Washington to present their work
- FDIC provides:
  - Prompts to help students approach the question;
  - Grading rubric on how submissions will be evaluated;
  - Public datasets and codebook that may be used by students to engage the material.

## 2020 Academic Challenge: Timeline

- Competition Opened on September 18, 2020
- First Q&A session held on October 7, 2020
- Second Q&A session to be held on November 12, 2020
- Submission deadline: November 20, 2020
- Finalist Selections: February 2021
- Finalist Presentations: April 16, 2021
- For more information visit: [fdic.gov/academicchallenge](https://fdic.gov/academicchallenge)