Chapter 8
Current Issues in Deposit Insurance

Federal deposit insurance was an extremely important factor in restoring public confidence in the banking system in the 1930s. Deposit insurance may play a smaller role in today's relatively stable economic environment, but in periods of adversity or change, deposit insurance gains consequence. As recounted in Chapter 6, financial markets in the United States and around the world, in many respects, have become and are expected to remain more volatile than in the past. The effects of this volatility on depository institutions may have been masked, to some extent, by the recent favorable environment, with low and stable interest rates and a prolonged economic expansion. As well, the huge returns earned in the stock market in recent years have reduced for many investors the attractiveness of bank deposits and, thereby, the perceived value of deposit insurance.

Even in this current period of relative stability, however, consumers remain quite concerned about deposit insurance. The FDIC constantly receives inquiries from consumers about certain banks' insurance status, and the Division of Compliance and Consumer Affairs recently added an option to determine "Is my bank insured?" on the FDIC's Web site. Consumers also call frequently to determine the amount of insurance coverage on various types of accounts.

Many banks have reduced the risks that they faced in the past. Interest-rate risk-management has improved, banks in general are less dependent on spread-based income, and bank supervisors have implemented new programs that are expected to be more effective in identifying and addressing emerging risks. Only 16 FDIC-insured institutions have failed since the beginning of 1995, including 15 BIF members and one SAIF member. There is no evidence, though, that the business cycle has ceased to exist, and these improvements in bank and supervisory practices have yet to be tested in an adverse environment. Perhaps more significantly, some behaviors of the past remain unchanged. As an economic expansion wanes, profit margins narrow, competition for creditworthy borrowers increases, and underwriting standards are compromised in many instances.

At the end of 1997, for all FDIC-insured banks and thrifts, insured deposits comprised less than half of total liabilities for the first time. This proportion fell from more than 60 percent earlier in the 1990s to 49.6 percent at year-end 1997. This likely is attributable, in part, to the favorable environment. In a choppy or adverse economic climate, bank deposits in general, and insured deposits in particular, are likely to gain favor. It also has been the FDIC's experience that when an insured institution encounters difficulties, uninsured depositors quickly seek protection. This can be accomplished in many ways, such as by withdrawing uninsured deposits or by obtaining or increasing loans against which to offset uninsured deposit claims in the event of a failure.

Overall, the federal deposit insurance program has served the nation well. However, a number of deposit insurance issues currently face the FDIC, the Congress and the banking industry. The FDIC sponsored a symposium on deposit insurance on January 29, 1998, in order to facilitate a discussion of the role and nature of deposit insurance in the current financial services environment. The symposium addressed the issues related to deposit insurance and financial modernization, in light of the recent rapid pace of banking evolution and the prospect of newly permissible activities for banking organizations; the various deposit insurance reform proposals that would curtail the role of the federal government in protecting depositors; and the right balance between the pursuit of safety and soundness and the need to allow banks to compete and evolve. Some current issues are summarized below.

The Year 2000 Date Change

One of the more immediate deposit insurance issues to be addressed involves the Year 2000 date change. Much needed attention has been focused recently on the potential for computer systems to encounter problems handling the date change into the next century. Many older computer applications stored the year as a two-digit number and, unless corrected, these programs are likely to interpret January 1, 2000, as January 1, 1900. The financial-services industry is viewed as particularly vulnerable to this problem. In addition to making certain their own systems are "Y2K-compliant," bank regulators have incorporated Y2K standards into the bank examination process. Banks not making adequate progress in evaluating, fixing and testing their systems are subject to regulatory sanctions. Vendors providing information processing and services to banks also are subject to these requirements.

The FDIC expects some number of "technological" bank failures to occur shortly before or after the Year 2000 date change. The actual number of Y2K failures is impossible to predict, however. Because of the uncertainties, the FDIC and the other federal banking agencies must be prepared if the problems and failures become widespread. In addition to other Y2K initiatives, the FDIC has established a Failed Financial Institutions Y2K Action Plan, led by Mitchell Glassman, Deputy Director of the Division of Resolutions and Receiverships. According to Glassman, the problem presents some unprecedented challenges:

> Banking is much more interconnected than it was the last time we faced a major crisis. This means, more than ever, that regional problems won't be as typical as they were the last time. This time, a failure in North Carolina could impact institutions in Idaho in a way that was unthinkable a decade ago.[33]

As an example of the potential problems identified by the group, the traditional methods used to verify deposit records could be complicated if a failed bank's computer systems are inoperable or unreliable. A critical need in this contingency planning process is to identify all people within the FDIC with experience in handling failed institutions because, with the decline in failures in recent years, many former resolution specialists

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[33] "Preparing for the Unexpected," *FDIC News*, August 1998, p. 3.

have moved to other positions. To be prepared for a worst-case Y2K scenario, the group is identifying other FDIC employees with applicable experience, personnel at the other federal banking agencies and contractors.

Consolidation and Bank Failures

The five largest banking company mergers in U.S. history all were announced or completed in 1998. The largest of these – Travelers Group and Citicorp – will result in a company with total assets of approximately $700 billion, more than double the assets of the largest U.S. banking company at the end of 1997. The combination of NationsBank and BankAmerica will result in a company with total assets of approximately $525 billion. These and other large, complex financial conglomerates present new challenges to the FDIC and other bank regulators.

The consolidation of banks serving different product and geographic markets can diversify risk and decrease earnings volatility, thereby decreasing the likelihood of failure. Regional recessions and sectoral downturns contributed to many of the bank and thrift failures in the late 1980s and early 1990s. Many of the institutions that failed or were troubled tended to have either geographic or product concentrations. Broader diversification of risk through mergers of institutions serving different markets can moderate the effects of economic downturns on these institutions. Consolidation of banking organizations also may be able to reduce duplicative back-office and other administrative costs, although the actual value of these cost savings remains uncertain. The resources and broader array of activities of these banks should enable them to compete more effectively in international markets. However, no banking organization is immune to failure.

Certainly, the deposit insurance funds face larger potential losses from the failure of a single large, consolidated institution. Insurance is based on the concept of diversifying risk. If an institution gets too large relative to the industry as a whole, it becomes increasingly difficult to diversify risk. Larger institutions also are more complex and tend to be involved in more nontraditional activities. Large banks pose more challenges when they fail, and the failure of a very large bank has the potential for creating systemic risk, although measures enacted in FDICIA, though as yet untested, were designed to improve the ability of the government to handle situations involving systemic risk. The unprecedented failures of a number of very large financial institutions simultaneously would be more problematic, but it is questionable whether it would be appropriate to maintain insurance funds that are large enough to address an absolute worst-case scenario.

Effective supervisory oversight remains the regulators' most important tool. The recent implementation of risk-focused examinations by the federal banking agencies and the programs already in place for coordinated oversight of large, complex institutions provide a strong foundation for addressing the challenges of industry consolidation. Regulators ensure that proper controls and practices are in place and assess management's ability to identify, measure, monitor and control risk within an institution.

Going forward, the agencies will determine whether examiners need additional training to address new activities and whether supervisory programs need to be modified.[34]

Merger of the Insurance Funds

The Deposit Insurance Funds Act of 1996 contained provisions to merge the BIF and the SAIF, effective January 1, 1999. However, the merger can become effective only if there are no insured savings associations in existence on that date. This condition apparently was included to force consideration of bank and thrift charter issues and the perceived unfair advantages of the thrift charter. Thus, Congress recognized the desirability of merging the two deposit insurance funds, but it tied the merger to largely unrelated issues. Arguments against a merger of the funds emanate primarily from bankers who are opposed to exposing their insurance fund to a repeat of the thrift losses of the 1980s.

The FDIC consistently has supported a merger of the two insurance funds. The FDIC has argued that the SAIF insures far fewer, and more geographically concentrated, institutions than does the BIF and consequently faces greater long-term structural risks. A combined BIF and SAIF would have a larger membership and a broader distribution of geographic and product risks and would be stronger than either fund alone. Currently, both funds are fully capitalized, their members are healthy and profitable, and the BIF and SAIF reserve ratios are very close and are expected to remain so in the near future. This means that a merger of the funds at this time would not result in a material dilution of either.[35]

The FDIC is required to set assessment rates independently for each of the insurance funds. At the present time, the assessment rate schedules for the two funds are identical. However, the funds' memberships have quite different risk profiles, and it is likely that rates will differ at some time in the future. Before the capitalization of the SAIF in 1996, the FDIC had experience with differing rates for BIF- and SAIF-assessable deposits. The result was the shifting of deposits between BIF- and SAIF-insured institutions. Such market distortions have an economic cost as institutions devote resources to countering artificial statutory distinctions. As well, the maintenance of two insurance funds has resulted in additional administrative costs to the FDIC and to the insured institutions that hold both BIF- and SAIF-insured deposits, which must be tracked, reported and assessed separately.

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[34] Testimony of Andrew C. Hove, Jr., Acting Chairman, Federal Deposit Insurance Corporation, on Mergers in the Financial Services Industry before the Committee on Banking and Financial Services, United States House of Representatives, April 29, 1998.

[35] Testimony of Donna Tanoue, Chairman, Federal Deposit Insurance Corporation, on Financial Modernization before the Committee on Banking, Housing and Urban Affairs, United States Senate, June 25, 1998.

Definition of the Assessment Base

Assessment rates are set semiannually, and institutions pay assessments at the end of each quarter. The deposit base against which assessments are charged can be defined simply as total domestic deposits, less a downward adjustment for "float." Since float is more applicable to transaction accounts than to time and savings accounts, commercial banks typically have a larger float adjustment than do thrifts. The float adjustment, which is performed by the FDIC rather than reported by insured institutions, is quite complex. Also, because the assessment base is derived from total domestic deposits, institutions pay assessments on deposits in accounts that exceed the insurance coverage limit, currently $100,000.

Assessable deposits are measured at the end of each quarter. The FDIC has expressed concern that this gives institutions and their depositors the opportunity to "sweep" deposits out of their accounts on the last day of the quarter and thereby lower the institution's assessment base. Some insured institutions pass deposit insurance costs directly to business account holders, so the depositors would have incentive to sweep the account each quarter. This practice would be discouraged, or eliminated, if the assessment base were measured using average daily deposits or some similar measure. It also would result in an assessment base measurement more closely correlated with the FDIC's risk exposure. The FDIC is considering a number of alternatives for measuring the assessment base.

Optimal Size of the Insurance Fund

The Deposit Insurance Funds Act of 1996 set the Designated Reserve Ratio (DRR) for both insurance funds at 1.25 percent. The FDIC Board has the authority to raise either fund's DRR for a calendar year if the Board foresees a significant risk of loss. The Act requires the Board to set assessment rates at a level that maintains the reserve ratio at the DRR. If the ratio falls below the DRR and remains there for more than one year, assessment rates must be set at a minimum of 23 basis points until the fund recovers. If the BIF reserve ratio exceeds the DRR, there are provisions to refund assessments to the best-rated banks. There are no refund provisions for the SAIF. As of March 31, 1998, the balance of the BIF was $28.6 billion and its reserve ratio stood at 1.37 percent. The amount of the "excess" fund above 1.25 percent was $2.6 billion. However, assessment refunds currently are not possible because the best-rated banks are not paying assessments.

There are two related concerns. First, should the law be modified to permit refunds of amounts above the DRR regardless of assessments paid? Second, is 1.25 percent the appropriate target for the size of the fund?

Refunds. If the refund law were liberalized, the result could be a "pay-as-you-go" insurance system. This would permit rates to fluctuate widely during periods of adversity, and banks would be forced to pay significantly higher rates at times when many could least afford it. FDIC staff determined that assessment rates as high as 62

basis points would have been required during the 1980s if such a policy had been in effect. If there were some cushion in the fund above the DRR, assessment-rate increases could be forestalled or lessened when a downturn occurs. Rate increases also could be forestalled or lessened if the FDIC had more flexibility in setting rates when the reserve ratio falls below 1.25 percent.

Reserve ratio. In 1980, legislation established 1.25 percent as the midpoint of the range in which the reserve ratio was to be maintained. If the ratio surpassed 1.40 percent, refunds were required; and if the ratio fell below 1.10 percent, additional assessments were required. The 1996 Act eliminated the range and set the specific target at 1.25 percent. This topic has engendered much discussion – and disagreement – among regulators, bankers and analysts. The issue is at the heart of proposals to reform deposit insurance, both by those who wish fundamental changes and those who wish more modest improvements.

Recent FDIC research found that in periods of very high losses, with assessment rates at 23 basis points, there is only a small chance of the BIF becoming insolvent. However, the reserve ratio is likely to fall well below the statutory minimum. It also was determined that increasing the minimum reserve ratio (to 1.50 percent, for example) would not permit substantially lower assessment rates in these circumstances.[36] The paper cautions that the research was based on the BIF's historical loss experience and that there is no guaranty that future banking crises will mirror historical events, given recent industry consolidation and other developments. If the industry were to encounter severe problems, it may be preferable to allow a deficient insurance fund to recapitalize more slowly and with lower assessment rates than are possible under current law.

Bank Practices and Supervisory Ratings

In the discussion of risk-based premiums in Chapter 7, it was stated that institutions are categorized in the rate-cell matrix according to their capital subgroup and their supervisory subgroup. The former is determined semiannually, using the most recent Report of Condition. The latter is determined primarily from an institution's most recent examination rating, although other factors sometimes are considered. As required by law, institutions generally are examined every 12 to 18 months. Those undertaking unacceptable risks, therefore, would not be penalized by the assessment system unless and until the risk-taking resulted in a supervisory rating downgrade.

At this time, the FDIC is concerned about eroding underwriting standards and other such practices that often appear late in a business cycle in an effort to sustain high profits. However, this has not yet been reflected in any appreciable movement of institutions out the best-rated, 1A cell of the assessment rate matrix. This may be due, in part, to the unavoidable lag in the examination process. The FDIC is considering ways to

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[36] Kevin P. Sheehan, "Capitalization of the Bank Insurance Fund," *FDIC Working Paper 98-1*, Federal Deposit Insurance Corporation, Division of Research and Statistics (1998), pp. 29-31.

identify in a more timely manner changes in bank practices that result in greater risks to the deposit insurance funds.

Appendix
Table A-1
Bank Insurance Fund Failures and Losses, 1934 – 1997
(\$ Thousands)

Year	Failed Banks[1]	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
1997	1	\$25,546	\$0	\$22,046	\$3,500
1996	5	169,397	112,813	12,888	43,696
1995	6	717,799	599,183	25,382	93,234
1994	13	1,224,797	1,005,791	37,389	181,617
1993	41	1,797,297	1,101,836	45,651	649,810
1992	122	14,084,663	10,024,475	303,402	3,756,786
1991	127	21,412,647	14,439,929	723,233	6,249,485
1990	169	10,816,602	7,946,378	83,079	2,787,145
1989	207	11,445,829	5,193,395	42,748	6,209,686
1988	280	12,163,006	5,211,565	2,244	6,949,197
1987	203	5,037,871	3,012,316	2,559	2,022,996
1986	145	4,790,969	3,008,165	1,062	1,781,742
1985	120	2,920,687	1,913,317	218	1,007,152
1984	80	7,696,215	6,054,326	1,734	1,640,155
1983	48	3,807,082	2,429,941	532	1,376,609
1982	42	2,275,150	1,106,579	0	1,168,571
1981	10	888,999	107,221	0	781,778
1980	11	152,355	121,675	0	30,680
1979	10	90,351	74,246	0	10,867
1978	7	548,568	510,613	0	9,015
1977	6	26,650	20,654	0	2,093
1976	16	599,397	559,430	0	247
1975	13	332,046	292,431	0	16,312
1974	4	2,403,277	2,259,633	0	40
1973	6	435,238	368,852	0	67,487
1972	1	16,189	14,501	0	1,696
1971	6	171,646	171,430	0	193
1970	7	51,566	51,294	0	272
1969	9	42,072	41,910	0	162
1968	3	6,476	6,464	0	12
1967	4	8,097	7,087	0	1,010
1966	7	10,020	9,541	0	245
1965	5	11,479	10,816	0	663
1964	7	13,712	12,171	0	1,541
1963	2	19,172	18,886	0	286
1962	0	0	0	0	0
1961	5	6,201	4,699	0	1,502
1960	1	4,765	4,765	0	0
1959	3	1,835	1,738	0	97
1958	4	3,051	3,023	0	28
1957	1	1,031	1,031	0	0
1956	2	3,499	3,286	0	213
1955	5	7,315	7,085	0	230

Table A-1 (continued)

Year	Failed Banks[1]	Disburse-ments	Recoveries	Estimated Additional Recoveries	Estimated Losses
1954	2	1,029	771	0	258
1953	2	5,359	5,359	0	0
1952	3	1,525	733	0	792
1951	2	1,986	1,986	0	0
1950	4	4,404	3,019	0	1,385
1949	4	2,685	2,316	0	369
1948	3	3,150	2,509	0	641
1947	5	2,038	1,979	0	59
1946	1	274	274	0	0
1945	1	1,845	1,845	0	0
1944	2	1,532	1,492	0	40
1943	5	7,230	7,107	0	123
1942	20	11,684	10,996	0	688
1941	15	25,061	24,470	0	591
1940	43	87,899	84,103	0	3,706
1939	60	81,828	74,676	0	7,152
1938	74	34,394	31,969	0	2,425
1937	75	20,204	16,532	0	3,672
1936	69	15,206	12,873	0	2,333
1935	25	9,108	6,423	0	2,685
1934	9	941	734	0	207
Total	**2,192**	**$106,560,084**	**$68,141,200**	**$1,304,167**	**$37,114,717**

Notes:

[1] Totals do not include dollar amounts for five open-bank assistance transactions between 1971 and 1980. Excludes eight transactions prior to 1963 that required no disbursements. Also, disbursements, recoveries and estimated additional recoveries do not include working capital advances to and repayments by receiverships.

Sources: 1980–1997, Federal Deposit Insurance Corporation, *Annual Report*, 1997 (1998), p. 104; 1934–1979, Federal Deposit Insurance Corporation, *Annual Report*, 1991 (1992), p. 132.

Table A-2
Insured Deposits and the Bank Insurance Fund, 1934 – 1997
($ Millions)

Year	Insurance Coverage	Deposits in Insured Banks		Insurance Fund	Reserve Ratio (%)
		Total	Insured[1]		
1997	$100,000	$2,785,990	$2,055,874	$28,292.5	1.38
1996	100,000	2,641,797	2,007,042	26,854.4	1.34
1995	100,000	2,478,888	1,951,963	25,453.7	1.30
1994	100,000	2,462,650	1,895,258	21,847.8	1.15
1993	100,000	2,490,816	1,905,245	13,121.6	0.69
1992	100,000	2,512,278	1,945,550	(100.6)	(0.01)
1991	100,000	2,520,074	1,957,722	(7,027.9)	(0.36)
1990	100,000	2,540,930	1,929,612	4,044.5	0.21
1989	100,000	2,465,922	1,873,837	13,209.5	0.70
1988	100,000	2,330,768	1,750,259	14,061.1	0.80
1987	100,000	2,201,549	1,658,802	18,301.8	1.10
1986	100,000	2,167,596	1,634,302	18,253.3	1.12
1985	100,000	1,974,512	1,503,393	17,956.9	1.19
1984	100,000	1,806,520	1,389,874	16,259.4	1.19
1983	100,000	1,690,576	1,268,332	15,429.1	1.22
1982	100,000	1,544,697	1,134,221	13,770.9	1.21
1981	100,000	1,409,322	988,898	12,246.1	1.24
1980	100,000	1,324,463	948,717	11,019.5	1.16
1979	40,000	1,226,943	808,555	9,792.7	1.21
1978	40,000	1,145,835	760,706	8,796.0	1.16
1977	40,000	1,050,435	692,533	7,992.8	1.15
1976	40,000	941,923	628,263	7,268.8	1.16
1975	40,000	875,985	569,101	6,716.0	1.18
1974	40,000	833,277	520,309	6,124.2	1.18
1973	20,000	766,509	465,600	5,615.3	1.21
1972	20,000	697,480	419,756	5,158.7	1.23
1971	20,000	610,685	374,568	4,739.9	1.27
1970	20,000	545,198	349,581	4,379.6	1.25
1969	20,000	495,858	313,085	4,051.1	1.29
1968	15,000	491,513	296,701	3,749.2	1.26
1967	15,000	448,709	261,149	3,485.5	1.33
1966	15,000	401,096	234,150	3,252.0	1.39
1965	10,000	377,400	209,690	3,036.3	1.45
1964	10,000	348,981	191,787	2,844.7	1.48
1963	10,000	313,304	177,381	2,667.9	1.50
1962	10,000	297,548	170,210	2,502.0	1.47
1961	10,000	281,304	160,309	2,353.8	1.47
1960	10,000	260,495	149,684	2,222.2	1.48
1959	10,000	247,589	142,131	2,089.8	1.47
1958	10,000	242,445	137,698	1,965.4	1.43
1957	10,000	225,507	127,055	1,850.5	1.46
1956	10,000	219,393	121,008	1,742.1	1.44
1955	10,000	212,226	116,380	1,639.6	1.41

(continued)

Table A-2 (continued)

Year	Insurance Coverage	Deposits in Insured Banks		Insurance Fund	Reserve Ratio (%)
		Total	Insured		
1954	10,000	203,195	110,973	1,542.7	1.39
1953	10,000	193,466	105,610	1,450.7	1.37
1952	10,000	188,142	101,841	1,363.5	1.34
1951	10,000	178,540	96,713	1,282.2	1.33
1950	10,000	167,818	91,359	1,243.9	1.36
1949	5,000	156,786	76,589	1,203.9	1.57
1948	5,000	153,454	75,320	1,065.9	1.42
1947	5,000	154,096	76,254	1,006.1	1.32
1946	5,000	148,458	73,759	1,058.5	1.44
1945	5,000	157,174	67,021	929.2	1.39
1944	5,000	134,662	56,398	804.3	1.43
1943	5,000	111,650	48,440	703.1	1.45
1942	5,000	89,869	32,837	616.9	1.88
1941	5,000	71,209	28,249	553.5	1.96
1940	5,000	65,288	26,638	496.0	1.86
1939	5,000	57,485	24,650	452.7	1.84
1938	5,000	50,791	23,121	420.5	1.82
1937	5,000	48,228	22,557	383.1	1.70
1936	5,000	50,281	22,330	343.4	1.54
1935	5,000	45,125	20,158	306.0	1.52
1934[2]	5,000	40,060	18,075	291.7	1.61

Notes:

[1] Includes only deposits insured by the Bank Insurance Fund; excludes deposits insured by the Savings Association Insurance Fund.

[2] Initial coverage was $2,500, from January 1, 1934 through June 30, 1934.

Source: Federal Deposit Insurance Corporation, *Annual Report*, 1997 (1998), p.106.

Table A-3
Income and Expenses of the Bank Insurance Fund, 1933 – 1997
($ Millions)

| Year | Income | | | | Assessment Rates[1] | | Expenses and Losses | | | Net |
	Total	Assessment Income	Assessment Credits	Investment and Other Income	Assessment Rate (BP)	Effective Assessment Rate (BP)	Total	Insurance Losses and Expenses	Admin. and Operating Expenses	Income / (Loss)
1997	1,615.6	24.7	0.0	1,590.9	0 to 27	0.08	177.3	(427.9)	605.2	1,438.3
1996	1,655.3	72.7	0.0	1,582.6	0 to 27	0.24	254.6	(250.7)	505.3	1,400.7
1995	4,089.1	2,906.9	0.0	1,182.2	4 to 31[2]	12.4	483.2	12.6	470.6	3,605.9
1994	6,467.0	5,590.6	0.0	8,76.4	23 to 31	23.6	(2,259.1)	(2,682.3)	423.2	8,276.1
1993	6,430.8	5,784.3	0.0	646.5	23 to 31	24.4	(6,791.4)	(7,179.9)	388.5	13,222.2
1992	6,301.5	5,587.8	0.0	713.7	23	23.0	(625.8)	(1,196.6)	570.8[3]	6,927.3
1991	5,790.0	5,160.5	0.0	629.5	23	21.3	16,862.3	16,578.2	284.1	(11,072.3)
1990	3,838.3	2,855.3	0.0	983.0	12	12.0	13,003.3	12,783.7	219.6	(9,165.0)
1989	3,494.6	1,885.0	0.0	1,609.6	8.3	8.3	4,346.2	4,132.3	213.9	(851.6)
1988	3,347.7	1,773.0	0.0	1,574.7	8.3	8.3	7,588.4	7,364.5	223.9	(4,240.7)
1987	3,319.4	1,696.0	0.0	1,623.4	8.3	8.3	3,270.9	3,066.0	204.9	48.5
1986	3,260.1	1,516.9	0.0	1,743.2	8.3	8.3	2,963.7	2,783.4	180.3	296.4
1985	3,385.4	1,433.4	0.0	1,952.0	8.3	8.3	1,957.9	1,778.7	179.2	1,427.5
1984	3,099.5	1,321.5	0.0	1,778.0	8.3	8.3	1,999.2	1,878.0	151.2	1,100.3
1983	2,628.1	1,214.9	164.0	1,577.2	8.3	7.1	969.9	834.2	135.7	1,658.2
1982	2,524.6	1,108.9	96.2	1,511.9	8.3	7.7	999.8	869.9	129.9	1,524.8
1981	2,074.7	1,039.0	117.1	1,152.8	8.3	7.1	848.1	720.9	127.2	1,226.6
1980	1,310.4	951.9	521.1	879.6	8.3	3.7	83.6	(34.6)	118.2	1,226.8
1979	1,090.4	881.0	524.6	734.0	8.3	3.3	93.7	(13.1)	106.8	996.7
1978	952.1	810.1	443.1	585.1	8.3	3.9	148.9	45.6	103.3	803.2
1977	837.8	731.3	411.9	518.4	8.3	3.7	113.6	24.3	89.3	724.2
1976	764.9	676.1	379.6	468.4	8.3	3.7	212.3	31.9	180.4[5]	552.6
1975	689.3	641.3	362.4	410.4	8.3	3.6	97.5	29.8	67.7	591.8
1974	668.1	587.4	285.4	366.1	8.3	4.4	159.2	100.0	59.2	508.9
1973	561.0	529.4	283.4	315.0	8.3	3.9	108.2	53.8	54.4	452.8
1972	467.0	468.8	280.3	278.5	8.3	3.3	59.7	10.1	49.6	407.3
1971	415.3	417.2	241.4	239.5	8.3	3.5	60.3	13.4	46.9	355.0
1970	382.7	369.3	210.0	223.4	8.3	3.6	46.0	3.8	42.2	336.7

(continued)

Table A-3 (continued)

| Year | Income | | | | Assessment Rates[1] | | Expenses and Losses | | | Net Income / (Loss) |
	Total	Assessment Income	Assessment Credits	Investment and Other Income	Assessment Rate (BP)	Effective Assessment Rate (BP)	Total	Insurance Losses and Expenses	Admin. and Operating Expenses	
1969	335.8	364.2	220.2	191.8	8.3	3.3	34.5	1.0	33.5	301.3
1968	295.0	334.5	202.1	162.6	8.3	3.3	29.1	0.1	29.0	265.9
1967	263.0	303.1	182.4	142.3	8.3	3.3	27.3	2.9	24.4	235.7
1966	241.0	284.3	172.6	129.3	8.3	3.2	19.9	0.1	19.8	221.1
1965	214.6	260.5	158.3	112.4	8.3	3.2	22.9	5.2	17.7	191.7
1964	197.1	238.2	145.2	104.1	8.3	3.2	18.4	2.9	15.5	178.7
1963	181.9	220.6	136.4	97.7	8.3	3.1	15.1	0.7	14.4	166.8
1962	161.1	203.4	126.9	84.6	8.3	3.1	13.8	0.1	13.7	147.3
1961	147.3	188.9	115.5	73.9	8.3	3.2	14.8	1.6	13.2	132.5
1960	144.6	180.4	100.8	65.0	8.3	3.7	12.5	0.1	12.4	132.1
1959	136.5	178.2	99.6	57.9	8.3	3.7	12.1	0.2	11.9	124.4
1958	126.8	166.8	93.0	53.0	8.3	3.7	11.6	0.0	11.6	115.2
1957	117.3	159.3	90.2	48.2	8.3	3.6	9.7	0.1	9.6	107.6
1956	111.9	155.5	78.3	43.7	8.3	3.7	9.4	0.3	9.1	102.5
1955	105.8	151.5	85.4	39.7	8.3	3.7	9.0	0.3	8.7	96.8
1954	99.7	144.2	81.8	37.3	8.3	3.6	7.8	0.1	7.7	91.9
1953	94.2	138.7	78.5	34.0	8.3	3.6	7.3	0.1	7.2	86.9
1952	88.6	131.0	73.7	31.3	8.3	3.7	7.8	0.8	7.0	80.8
1951	83.5	124.3	70.0	29.2	8.3	3.7	6.6	0.0	6.6	76.9
1950	84.8	122.9	68.7	30.6	8.3	3.7	7.8	1.4	6.4	77.0
1949	151.1	122.7	0.0	28.4	8.3	8.3	6.4	0.3	6.1	144.7
1948	145.6	119.3	0.0	26.3	8.3	8.3	7.0	0.7	6.3	138.6
1947	157.5	114.4	0.0	43.1	8.3	8.3	9.9	0.1	9.8	147.6
1946	130.7	107.0	0.0	23.7	8.3	8.3	10.0	0.1	9.9	120.7
1945	121.0	93.7	0.0	27.3	8.3	8.3	9.4	0.1	9.3	111.6
1944	99.3	80.9	0.0	18.4	8.3	8.3	9.3	0.1	9.2	90.0
1943	86.6	70.0	0.0	16.6	8.3	8.3	9.8	0.2	9.6	76.8
1942	69.1	56.5	0.0	12.6	8.3	8.3	10.1	0.5	9.6	59.0
1941	62.0	51.4	0.0	10.6	8.3	8.3	10.1	0.6	9.5	51.9
1940	55.9	46.2	0.0	9.7	8.3	8.3	12.9	3.5	9.4	43.0

(continued)

Table A-3 (continued)

Year	Income				Assessment Rates		Expenses and Losses			Net Income / (Loss)
	Total	Assessment Income	Assessment Credits	Investment and Other Income	Assessment Rate (BP)	Effective Assessment Rate (BP)	Total	Insurance Losses and Expenses	Admin. and Operating Expenses	
1939	51.2	40.7	0.0	10.5	8.3	8.3	16.4	7.2	9.2	34.8
1938	47.7	38.3	0.0	9.4	8.3	8.3	11.3	2.5	8.8	36.4
1937	48.2	38.8	0.0	9.4	8.3	8.3	12.2	3.7	8.5	36.0
1936	43.8	35.6	0.0	8.2	8.3	8.3	10.9	2.6	8.3	32.9
1935	20.8	11.5	0.0	9.3	8.3	8.3	11.3	2.8	8.5	9.5
1934[6]	7.0	0.0	0.0	7.0	NA	NA	10.0	0.2	9.8	(3.0)
Total	$75,988.7	$53,112.7	$6,709.1	$29,585.1	--	--	$47,695.9	$41,343.2	$6,352.7	$28,292.8

Notes:

[1] Assessment rates are stated in basis points (1/100 of 1 percent).   A rate of 8.3 basis points is equivalent to 8.3 cents per $100 of assessable deposits.

[2] Effective June 1, 1995.

[3] Includes $210 million for the cumulative effect of an accounting change for certain postretirement benefits.

[4] Effective July 1, 1991. The rate in effect for the first half of 1991 was 19.5 basis points.

[5] Includes $105 million net loss on government securities.

[6] Includes part of 1933.

Sources: 1973 – 1997, Federal Deposit Insurance Corporation, *Annual Report*, 1997 (1998), p.105; 1933 – 1972, Federal Deposit Insurance Corporation, *Annual Report*, 1996 (1997), p.109.