



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-24-2009**  
**May 22, 2009**

## **CONSIDERATION OF THE SPECIAL ASSESSMENT WHEN ANALYZING AND RATING FINANCIAL INSTITUTIONS**

**Summary:** The recent FDIC Board action imposing a special assessment on insured institutions is not expected to affect the supervisory component or composite ratings that FDIC examiners assign to institutions.

### **Distribution:**

FDIC-Supervised Institutions

### **Suggested Routing:**

Chief Executive Officer  
Chief Financial Officer  
Compliance Officer

### **Related Topics:**

Final Rule on Special Assessments

Uniform Financial Institutions Rating System  
<http://www.fdic.gov/regulations/laws/federal/ufir.pdf>

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### **Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2009/index.html](http://www.fdic.gov/news/news/financial/2009/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226.

### **Highlights:**

- When analyzing the institution's earnings posture, capital adequacy, and liquidity, examiners will consider the nonrecurring nature of the special assessment.
- Examiners will not downgrade an institution's CAMELS component or composite ratings because of the negative effect of the special assessment.
- Banks will be expected to comply with regulatory capital minimums and prompt corrective action (PCA) standards; however, supervisors will factor into their overall analysis of capital adequacy the nonrecurring nature of the special assessment.

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On May 22, 2009, the FDIC Board of Directors adopted a final rule establishing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. The amount of the special assessment for any institution, however, will not exceed 10 basis points times the institution's assessment base for the second quarter 2009 risk-based assessment. The special assessment is necessary to strengthen the Deposit Insurance Fund and promote confidence in the deposit insurance system.

When assessing an institution's earnings, capital, and liquidity, examiners will take into account the expectation that the special assessment is a nonrecurring item. For example, when assessing earnings, examiners develop an understanding of the bank's core business activities and consider how nonrecurring events, such as the special assessment, affect the institution's earnings performance by adjusting earnings on a tax-equivalent basis. Important factors examiners consider when assigning composite ratings include the composition and quality of assets, current earnings and trends, liquidity and funds management, deposit structure, quality of management, strength of the parent company, and the risks facing the institution as a result of local economic conditions.

Banks will be expected to comply with regulatory capital minimums and prompt corrective action (PCA) standards. An institution's CAMELS component or composite ratings will not be downgraded because of the negative effect of the special assessment. Examiners will consider the extraordinary circumstances that necessitated the special assessment when determining the component and composite ratings.

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