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FEDERAL DEPOSIT INSURANCE CORPORATION

AGENCY: Federal Deposit Insurance Corporation (FDIC)

ACTION: Adoption of Federal Deposit Insurance Corporation Restoration Plan.

On October 7, 2008, the FDIC established a Restoration Plan for the Deposit Insurance Fund (the DIF or the fund) to return the DIF to its statutorily mandated minimum reserve ratio of 1.15 percent within five years.[1] In February 2009, given the extraordinary circumstances facing the banking industry, the FDIC amended its Restoration Plan to extend the restoration period from five to seven years.[2] Congress amended the statute governing establishment and implementation of a restoration plan in May 2009 to allow the FDIC up to eight years to return the DIF reserve ratio to 1.15 percent, absent extraordinary circumstances.[3] The FDIC amended its Restoration Plan consistent with the statutory change and, pursuant to the amended Restoration Plan, adopted a uniform 3 basis point increase in initial assessment rates effective January 1, 2011, to meet the Restoration Plan's goal of returning the reserve ratio to 1.15 percent by the end of 2016.[4]

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) requires the FDIC to set a designated reserve ratio of not less than 1.35 percent for any

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[1] 73 FR 61598 (Oct. 16, 2008).

[2] 74 FR 9564 (Mar. 4, 2009).

[3] 12 U.S.C. §1817(b)(3)(E)(ii), as amended by the Helping Families Save Their Homes Act of 2009, Pub. L. No. 111-22, §204(b), 123 Stat. 1632, 1649.

[4] 74 FR 51062 (Oct. 2, 2009).

year.[5] Dodd-Frank also requires the FDIC to take "such steps as may be necessary" to increase the level of the DIF to 1.35 percent of estimated insured deposits by September 30, 2020.[6] Under Dodd-Frank, the FDIC is required to offset the effect of requiring that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016, on insured depository institutions with total consolidated assets of less than $10,000,000,000.[7]

The FDIC has updated its income, loss and reserve ratio estimates and has concluded that expected losses for the period 2010 through 2014 are lower than were projected in June 2010. The FDIC now projects that losses during this period will be $52 billion, rather than $60 billion as projected in June. Given this lower loss projection, the FDIC estimates that the fund reserve ratio will reach 1.15 percent by the fourth quarter of 2018, even without the 3 basis point uniform increase in initial assessment rates presently scheduled to take effect January 1, 2011. Since Dodd-Frank provides that the FDIC is to offset the effect of the requirement that the reserve ratio reach 1.35 percent by September 30, 2020 on insured depository institutions with total consolidated assets of less than $10,000,000,000, initial assessment rates applicable to all insured depository institutions need be set only high enough to reach 1.15 percent by the statutory deadline of September 30, 2020; the mechanism for reaching 1.35 percent by the statutory deadline of September 30, 2020, and the manner of offset can be determined separately.

[5] Pub. L. No. 111-203, §334(a), 124 Stat. 1376, 2709 (to be codified at 12 U.S.C. § 1817(b)(3)(B)).

[6] Pub. L. No. 111-203, §334(d), 124 Stat. 1376, 2709 (to be codified at 12 U.S.C. § 1817(d)).

[7] Pub. L. No. 111-203, §334(e), 124 Stat. 1376, 2709 (to be codified at 12 U.S.C. § 1817(e)).

The FDIC has concluded that given the continuing stresses on the earnings of insured depository institutions and the additional time afforded to reach the reserve ratio required by Dodd-Frank, that it will forego the uniform 3 basis point increase in initial assessment rates scheduled to take effect on January 1, 2011. The FDIC intends to pursue further rulemaking in 2011 regarding the method that will be used to assess insured depository institutions with total consolidated assets of $10,000,000,000 or more to offset the effect of the statutory requirement that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016.

Therefore, the FDIC adopts the following Restoration Plan, which supersedes the Amended Restoration Plan adopted on September 29, 2009:

1. The period of the Restoration Plan is extended to September 30, 2020.

2. The FDIC will forego the uniform 3 basis point increase in initial assessment rates scheduled to take effect on January 1, 2011.

3. The FDIC plans to maintain the current schedule of assessment rates for all insured depository institutions.

4. The FDIC will pursue further rulemaking in 2011 regarding the method that will be used to reach 1.35 percent by September 30, 2020 and offset the effect on insured depository institutions with total consolidated assets of less than $10,000,000,000 of the statutory requirement that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016.

5. At least semiannually hereafter, the FDIC will update its loss and income projections for the fund and, if needed, will increase assessment rates, following notice-and-comment rulemaking if required. The FDIC may also lower assessment rates following notice-and-comment rulemaking if required.

6. Institutions may continue to use assessment credits (for regular quarterly assessments and for any special assessments) without additional restriction (other than those imposed by law) during the term of the Restoration Plan, since the few remaining credits should have only a minimal effect on fund revenue.

7. This Restoration Plan shall be implemented immediately.

Dated at Washington, DC this [xx] day of October, 2010.

By order of the Board of Directors.

Robert E. Feldman

Executive Secretary

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