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Update of Projected Deposit Insurance Fund Losses, Income, and Reserve Ratios for the Restoration Plan

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Thank you for that helpful presentation. The Deposit Insurance Fund balance rose to 87.6 billion dollars on June 30, an increase of nearly 10 billion dollars from June of last year. The fund reserve ratio was 1.24 percent at the end of the second quarter, the highest since December 2005.

The improvement in the Deposit Insurance Fund so far this year reflects the generally positive performance of the banking industry. Revenue and net income have grown, asset quality has improved, and the numbers of unprofitable and problem banks continue to decline.

Growth in the fund also reflects progress in implementing the plan adopted by the FDIC Board in 2016 to raise the reserve ratio to 1.35 percent by September 30, 2020, consistent with the requirements of the Dodd-Frank Act. Also as required by the act, large banks -- those with assets of 10 billion dollars or more -- are paying surcharges to raise the reserve ratio from 1.15 percent to the 1.35 percent statutory minimum, after which the surcharges will cease.

The staff currently projects that the reserve ratio should reach 1.35 percent in 2018, well ahead of the statutory deadline. By meeting this target earlier than the mandate, we reduce the risk that the FDIC will have to raise rates unexpectedly in the event of a future period of stress, and help ensure stable and predictable assessments.

I believe the FDIC is taking a balanced approach in meeting its statutory requirement for the minimum size of the insurance fund, and we are making steady progress in complying with that obligation.

I would like to thank the FDIC staff for their excellent work.