FDIC

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

Financial Institution Letter
FIL-68-2010
October 20, 2010

ASSESSMENTS
Notice of Proposed Rulemaking

Summary: On October 19, 2010, the FDIC proposed a comprehensive, long-range plan for Deposit Insurance Fund management with the goals of maintaining a positive fund balance, even during a period of large fund losses, and steady, predictable assessment rates throughout economic and credit cycles. The FDIC adopted the attached Restoration Plan and Notice of Proposed Rulemaking (NPR) on assessment rates, dividends and the designated reserve ratio (DRR). Comments on the NPR are due 30 days following publication of the NPR in the *Federal Register*.

Distribution:
All FDIC-Insured Institutions

Suggested Routing:
Chief Executive Officer
President
Chief Financial Officer

Related Topics:
FDIC Regulations Governing the Assessment Process, 12 CFR Part 327

Attachment:
Restoration Plan
Proposed Rule --
http://www.fdic.gov/news/news/press/2010/pr10229b.pdf

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Highlights:

- Based on updated income, loss and reserve ratio projections, which forecast lower losses from 2010 through 2014, the Restoration Plan foregoes the uniform 3 basis point assessment rate increase previously scheduled to go into effect January 1, 2011, and keeps the current rate schedule in effect.

- The Restoration Plan also calls for the FDIC to pursue further rulemaking in 2011 regarding the statutory requirement that the FDIC offset the effect on small institutions of the requirement that the reserve ratio reach 1.35 percent by September 30, 2020, rather than 1.15 percent by the end of 2016.

- A historical analysis of fund losses shows that, to maintain a positive fund balance and steady, predictable assessment rates, the reserve ratio must be at least 2 percent before a period of large fund losses and average assessment rates must be approximately 8.5 basis points. Consequently, in the NPR, the FDIC proposes to—

  - Set the DRR at 2 percent;

  - Adopt a lower rate schedule (Table 3 in the NPR) when the reserve ratio reaches 1.15 percent so that the average rate over time should be about 8.5 basis points; and

  - In lieu of dividends, adopt lower rate schedules (Tables 4 and 5 in the NPR) when the reserve ratio reaches 2 percent and 2.5 percent so that average rates will decline about 25 percent and 50 percent, respectively.