

THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.



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April 2, 2009

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Via email

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: RIN # 3064-AD35: FDIC Interim Rule on Emergency Assessments

Dear Mr. Feldman:

The Financial Services Roundtable¹ (“Roundtable”) appreciates this opportunity to comment on the Federal Deposit Insurance Corporation’s (“FDIC”) Interim Rule on Emergency Assessments (“Interim Rule”). The Roundtable readily acknowledges the statutory obligation of insured depository institutions to rebuild the reserves of the Deposit Insurance Fund (“DIF”); however, the FDIC must also

“take into account economic conditions generally affecting insured depository institutions so as to allow the designated reserve ratio to increase during more favorable economic conditions and to decrease during less favorable economic conditions.”²

The Interim Rule, when combined with recent premium rate increases, will boost DIF premiums in 2009 to five times their 2008 level. A premium hike of that magnitude could create a number of unintended consequences, notably dampening deposit growth, diminishing bank lending, and increasing the number of bank failures. Such actions are most accurately characterized as *procyclical* in a highly negative way.

As required by statute, the FDIC must rebuild the DIF “before the end of the 5-year period beginning upon the implementation of the plan (or such longer period as the Corporation may determine to be necessary due to extraordinary circumstances).”³ The Roundtable recognizes

¹ The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$85.5 trillion in managed assets, \$965 billion in revenue, and 2.3 million jobs.

² 12 U.S.C. § 1817(b)(3)(C)(ii).

³ 12 U.S.C. 1817(b)(3)(E)(ii).

the importance of this rebuilding; however, DIF premium increases should be made with the best interests of taxpayers and the economy in mind.

The FDIC recognized the need to take taxpayers and the economy into account in a recent amendment that extended this rebuilding period to seven years:

“Given the enormous stresses on financial institutions and the likelihood of a prolonged and severe economic recession, the FDIC is amending its Restoration Plan to extend the restoration period, as described below. The assessment rates that the FDIC is adopting in the accompanying final rule reflect this extended period. Therefore, the FDIC amends the Restoration Plan adopted on October 7, 2008, as follows: 1. The period of the Restoration Plan is extended to seven years.”⁴

Instead of raising premiums at this time with a single large assessment, the FDIC should implement an alternative, countercyclical approach to rebuilding the DIF, rather than a single assessment at a time when the economy and the banking industry are in a recession. Attached is a White Paper that proposes two such alternatives, as prepared by William Askew, the Roundtable’s Senior Policy Advisor. Both alternatives achieve the same end result as the FDIC’s 20-basis-point emergency assessment proposal. Most importantly, both alternatives would rebuild the DIF to above the 1.15% DIF reserve ratio by 2015, the seven year time period authorized for rebuilding of the DIF.

Within the White Paper, the Roundtable’s offers two alternatives for the FDIC to consider instead of the current Interim Rule:

- Alternative 1 entails no special assessment for 2009 and then spreads a special assessment evenly with 3-basis-point annual assessments from 2010 to 2015.
- Alternative 2 postpones the beginning of the special assessment to 2011, giving the banking industry two years to rebuild its earnings and capital. The special assessment would be three basis points in 2011, 2012, and 2013 and four basis points in 2014 and 2015. The Roundtable considers Alternative 2 the preferable alternative because of the longer recovery period it provides before a special assessment is levied.

With regard to meeting its working-capital needs, we *recommend* that the FDIC borrow against its \$30 billion Treasury line of credit rather than funding its working-capital needs through higher premiums that incur the unintended consequences of significant damage to the economy. Proposed legislation extending this borrowing authority to \$100 billion should further aid the FDIC in funding its working-capital needs.

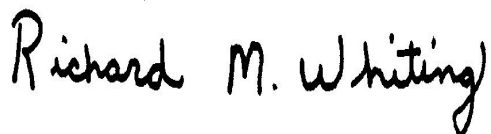
If its line of credit is increased, the FDIC has stated that it would lower the emergency assessment to 10 basis points. The Roundtable contends that even a 10 basis point assessment

⁴ 74 Fed. Reg. 9564 (March 4, 2009).

would be *procyclical* and cost the banking industry billions of dollars at a time when it needs to build capital and loss reserves.

Thank you again for the opportunity to share our views with you on this subject. If you have any questions, please feel free to contact me or Melissa Netram at 202-289-4322.

Sincerely,

A handwritten signature in black ink that reads "Richard M. Whiting". The signature is written in a cursive, slightly slanted style.

Richard Whiting
Executive Director and General Counsel

Attachment: White Paper on Emergency Assessments

Economic Impact of FDIC Interim Rule

William E Askew, Senior Policy Advisor

The Financial Services Roundtable

April 2, 2009

This white paper discusses how the Federal Deposit Insurance Corporation's (FDIC) Emergency Special Assessment Interim Rule¹ (Interim Rule) will negatively affect the banking industry and the U.S. economy as a whole due to its procyclicality. If approved in its current form, the Interim Rule will take \$15 billion out of a troubled banking system at a time when banks need more capital, worsening an already severe recession. This white paper proposes that any special premium assessments be levied in a countercyclical manner, after the economy and the banking industry have begun to recover from the current recession. This alternative proposal will still rebuild the Deposit Insurance Fund to its minimum reserve ratio of 1.15% by 2015, the long-term intent of the Interim Rule.

Background

Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), the Designated Reserve Ratio of the Deposit Insurance Fund (DIF) may not go below a 1.15% level.² Given the current economic environment, the numerous bank failures since early 2007, and the \$22.4 billion loss reserve at the end of 2008 for future failures, the DIF reserve ratio was .40% at the end of 2008. FDICIA states that the FDIC must take into account economic conditions affecting banks so as to allow the reserve ratio to increase during more favorable economic conditions and decrease during less favorable economic conditions.³ FDICIA also states that the FDIC should prevent sharp swings in the assessment rates: "In designating a reserve ratio for any year, the [FDIC] Board of Directors shall . . . seek to prevent sharp swings in the assessment rates for insured depository institutions."⁴

The FDIC issued an Interim Rule that would impose a 20 basis point, \$15 billion emergency special assessment⁵ on banks and thrifts on June 30, 2009, to be collected on September 30, 2009. The Interim Rule also provides that after June 30, 2009, if the DIF reserve ratio is estimated to fall to a level that the FDIC Board believes would "adversely affect public confidence or to a level which shall be close to zero or negative by the end of a calendar quarter," then the FDIC Board may impose an emergency special assessment of up to 10 basis points per quarter.⁶ This planned assessment is in addition

¹ 74 Fed. Reg. 9338 (March 3, 2009).

² 12 U.S.C. § 1817(b)(3)(B)(ii).

³ 12 U.S.C. § 1817(b)(3)(C)(ii).

⁴ 12 U.S.C. § 1817(b)(3)(C)(iii).

⁵ Calculated as follows: Estimated deposit-insurance assessment base of \$7.5 trillion x .002.

⁶ 74 Fed. Reg. at 9338.

to the recently approved increase in risk-based assessments that went into effect on April 1, 2009,⁷ and the seven basis point across-the-board premium increase that took place on January 1 of this year. As a result, the assessments on Risk Category I institutions will range between 7 and 24 basis points, which combined with the 20 basis point emergency assessment, could reach 44 basis points for a sound institution.⁸

Importantly, the FDIC also recently approved an extension, from five to seven years, of the timeframe to restore the DIF reserve ratio to its statutory minimum of 1.15%, a move the banking industry applauds as it is committed to continuing to fully fund the FDIC.⁹

The Roundtable believes it is important and necessary to the financial services industry for the FDIC to build its reserves and restore DIF to a 1.15% reserve level, as well as important for the financial services industry to help in this rebuilding process. However, equally important to restoring the fund is restoring stability and liquidity to the financial markets so that banks can supply the credit needed to fuel the economic recovery while minimizing bank failures going forward that would further drain the resources of the FDIC. Therefore, the Interim Rule is not the correct approach.

Proccyclical Proposal

The clause in the FDICIA that suggests rebuilding of the DIF during favorable economic conditions was added for good reason. The banking industry is undergoing the strongest headwinds in decades and this storm is not letting up, making it more difficult to return to macroeconomic stability. Some of these headwinds are self-imposed, coming from policy decisions that clearly are *proccyclical* in the context of economic policy. The sharp increase for banks in FDIC insurance costs comes at a time when banks are trying to build capital and grow deposits so they can increase their lending. In a recent speech, Federal Reserve Chairman Ben Bernanke stated that “capital rules, accounting policies, and other regulatory standards should not make [banking] even more difficult by encouraging excessively proccyclical behavior by financial institutions to tighten credit in downturns and ease credit in booms more than is justified by changes in the creditworthiness of borrowers.”¹⁰

The proposed special assessment would sharply boost the assessment rate and would be an extraordinary expense burden for banks. That expense would have to be passed on, as much as possible, to depositors (through lower interest rates) because the increase is greater than the current projected bank earnings and in order to maintain bank profitability. As such, any special assessment must be postponed until the economy improves so as to minimize the assessment’s proccyclical effect.

⁷ 74 Fed. Reg. 9525 (March 4, 2009).

⁸ The Roundtable previously submitted comments on this proposal and expressed concern with such a large assessment increase, noting that the FDIC should implement efforts to minimize insolvency losses before the emergency assessment was made public. Previous Roundtable comment letters can be found at www.fsround.org.

⁹ 74 Fed. Reg. 9564 (March 4, 2009).

¹⁰ Chairman Ben Bernanke, The Federal Reserve Board of Governors, The Financial Crisis and Community Banking, speech to the Independent Community Bankers of America, March 20, 2009.

It is appropriate to consider procyclicality in other policies that are impacting financial institutions since there is a compounding effect that must be considered. The Basel II Accord has been criticized for its procyclicality because it requires banks to increase their capital ratios when they face greater risks. Unfortunately, this requirement has restricted interbank lending during this recession, aggravating the downturn. At the same time, banks are required to accrue lower loan-loss provisions when times are good (based on modeling) and consequently, cannot reserve sufficiently for future loan losses during the eventual bad times.

A similar criticism has been directed at fair value accounting rules (FVA) which require financial institutions to mark their assets to market at a time when the market is in a state of chaos, thereby exacerbating the economic decline. In this dramatic economic downturn, FVA has forced banks across the spectrum to recognize losses which impair capital and force sales of assets at tremendous losses. Those forced sales further diminish the market value of remaining assets, further impairing bank capital. This situation will only worsen until FVA is modified along the lines that the FASB has recently proposed.

Essentially, the FDIC's Interim Rule is another procyclical policy that will further restrict the economic recovery while compounding the pressures on financial markets. This is at a time when banks need the help of regulators to enhance financial stability and stabilize the banking industry rather than weaken it further. The proposed 20-basis-point, \$15 billion special assessment is a procyclical regulatory action of the type about which Chairman Bernanke expressed great concern.

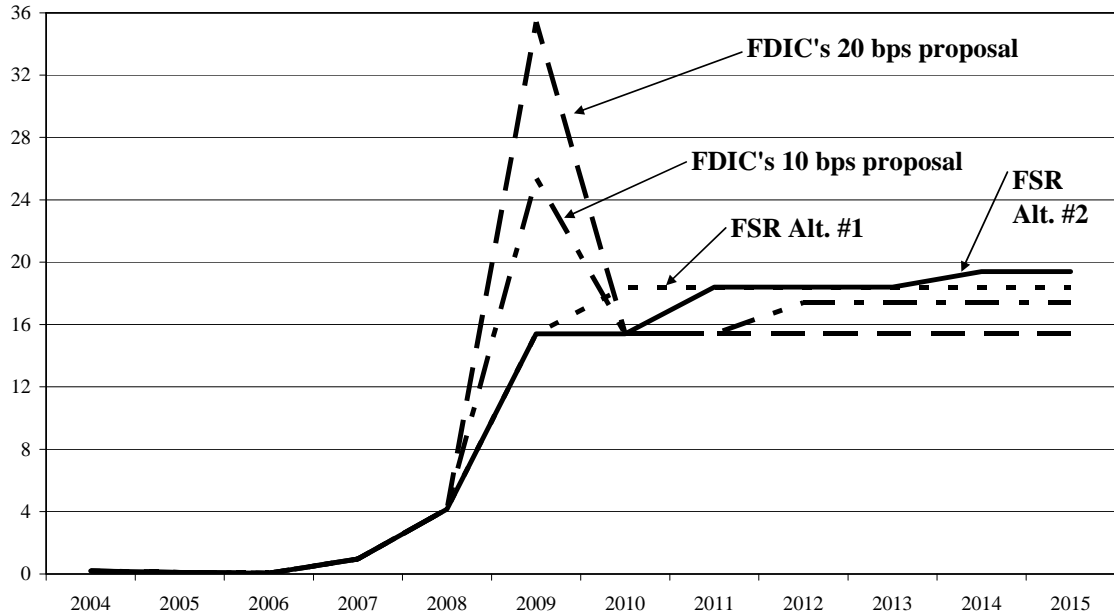
Instead of raising premiums further at this time, the FDIC should implement an alternative, countercyclical approach to rebuilding the DIF, while the economy and the banking industry are still in recession. To meet its near-term working-capital needs, the FDIC should borrow under its \$30 billion line of credit at the Treasury rather than fund its working-capital needs through higher premiums.

Countercyclical Alternatives

The Roundtable recommends that the FDIC consider adopting one of two countercyclical alternatives to help the economy and the banking system recover faster rather than fall deeper into recession. These alternatives are contrasted with the Interim Rule in Figure 1 below. Both alternatives backload the rebuilding of the DIF into the latter portion of the seven year rebuilding period the FDIC has authorized rather than front-loading the assessment on the banks in 2009, as proposed by the Interim Rule. As shown in column 17 of the appended Table 1, on which Figure 1 is based, both alternatives will rebuild the DIF to 1.19% or 1.20% by 2015, based on the \$65 billion of insurance loss the FDIC has projected for the 2009-2015 period. The Roundtable's DIF projection is based on the following growth rates in nominal GDP -- zero for 2009, 1% for 2010, 3% for 2011, 5% for 2012, and 6% for 2013, 2014, and 2015, as shown in column 3 of Table 1.

Figure 1

DIF premium rates under various special-assessment scenarios, assuming uninsured deposits decline as a percent of GDP (in basis points)



Source: Roundtable projection, as set out in the appended Table 1, column 20.

As shown in Figure 1, Alternative 1 entails no special assessment for 2009 and then spreads a special assessment evenly with 3-basis-point annual assessments during 2010-2015. This delay in levying a special assessment would allow the banking industry a year to begin to restore its earnings, thereby building its capital with which to expand lending and to maintain liquidity. Alternative 2 postpones the beginning of the special assessment to 2011, giving the banking industry two years to rebuild its earnings and capital. The special assessment would be three basis points in 2011, 2012, and 2013 and four basis points in 2014 and 2015. The Roundtable considers Alternative 2 the more preferable alternative because of the longer recovery period it provides before a special assessment is levied. Regardless of which alternative the FDIC selects, it should be implemented in a manner which does not require FDIC-insured institutions to accrue the special assessment as a liability prior to the period for which it is being assessed.

Figure 1 also illustrates the special assessment options the FDIC has proposed – 20 basis points in 2009 or 10 basis points, as suggested in the press, if Congress increases the FDIC’s Treasury line of credit to \$100 billion, as pending legislation, The Depositor Protection Act of 2009,¹¹ would do. Based on the amount of loss the FDIC has projected

¹¹ Depositor Protection Act of 2009, S.541, 111th Cong. (referred to Committee on Banking, Housing, and Urban Affairs).

for 2009-2013, the Roundtable's projection for GDP growth, and the impact of higher deposit-insurance premiums on bank deposits discussed below, the Roundtable estimates that a 20-basis-point special assessment this year, coupled with the risk-based assessments being implemented on April 1, would build the DIF reserve ratio to 1.21% by the end of 2015. This projection reinforces the fact that a 20-basis-point special assessment this year would clearly be procyclical.

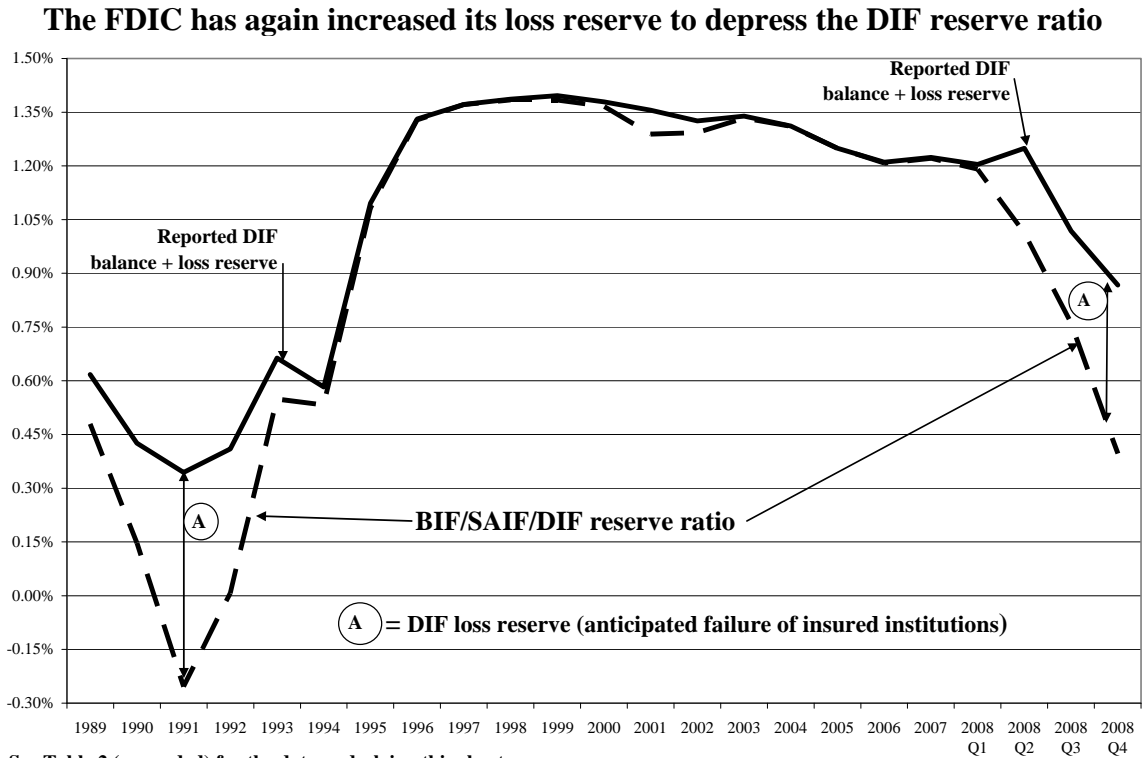
The alternative, a 10-basis-point special assessment this year, would require additional special assessments of two basis points annually from 2012-2015 to build the DIF to a 1.18% reserve ratio by the end of 2015. However, even a 10-basis-point special assessment, which would cost the banking industry \$7.5 billion this year, would be procyclical.

Several aspects of the implications of the Interim Rule merit further discussion.

FDIC Loss Reserves

Continuing a practice it started in the mid-1980s, the FDIC reserves for anticipated insurance losses. According to a February 26, 2009, FDIC news release announcing fourth-quarter 2008 financial results for the banking industry, "\$22 billion has been set aside for estimated losses on failures anticipated in 2009." According to the Fourth Quarter 2008 CFO Report to the FDIC Board, the amount actually reserved, as of December 31, 2008, for losses in future bank failures was \$22.368 billion. That amount is up from \$124 million at the end of 2007. As shown in Figure 2, the \$22.368 billion set-aside reduced the DIF reserve ratio from 87 basis points (28 basis points below the statutory minimum of 115 basis points) to 40 basis points as it reduced the DIF fund balance, as of the end of 2008, from \$41.3 billion to \$18.9 billion. However, the FDIC did not accrue, as of the end of 2008, any of the offsetting premium income it will earn in 2009.

Figure 2



Hence, while the FDIC has projected \$65 billion in insurance losses from 2009-2013, it effectively expensed over one-third of that amount -- \$22.4 billion -- in 2008, leaving \$42.6 billion to be expensed from 2009-2013. Given that insurance losses should return to their normal very low level by 2013, the FDIC's loss reserve at the end of 2013 should be quite low, less than \$500 million. Therefore, based on the FDIC loss projection, the FDIC loss expense recorded from 2009-2013 should not exceed \$43 billion. Over that same period, the projected FDIC risk-based premium assessment of 15.4 basis points should produce \$55 billion of premium income, excluding the revenue from any special assessment (Table 1, column 22). Hence, no special assessment will be needed to pay for the losses the FDIC actually incurs in the 2009-2013 period -- any special assessment will be needed only to restore the DIF reserve ratio -- the banking industry's prepaid deposit insurance premium -- to the statutory minimum of 1.15%.

Figure 2 also shows, as of the end of 2008, that neither the DIF reserve ratio nor the reserve ratio plus loss reserve has dipped as low as both those ratios did during the early 1990s. Based on the projected timing of the \$65 billion in losses the FDIC anticipates over the 2009-13 period -- \$22 billion in 2009 and a Roundtable distribution of the remaining \$43 billion of losses -- \$20 billion in 2010, \$13 billion in 2011, \$7 billion in 2012, and \$3 billion in 2013 -- the Roundtable projects that both the DIF reserve ratio and the reserve ratio plus loss reserve will remain positive at all times during 2009-2013 even if the levying of a special assessment is postponed until after the

recession has bottomed out and the economy and the banking system have begun to recover (Table 1, columns 17 and 18).

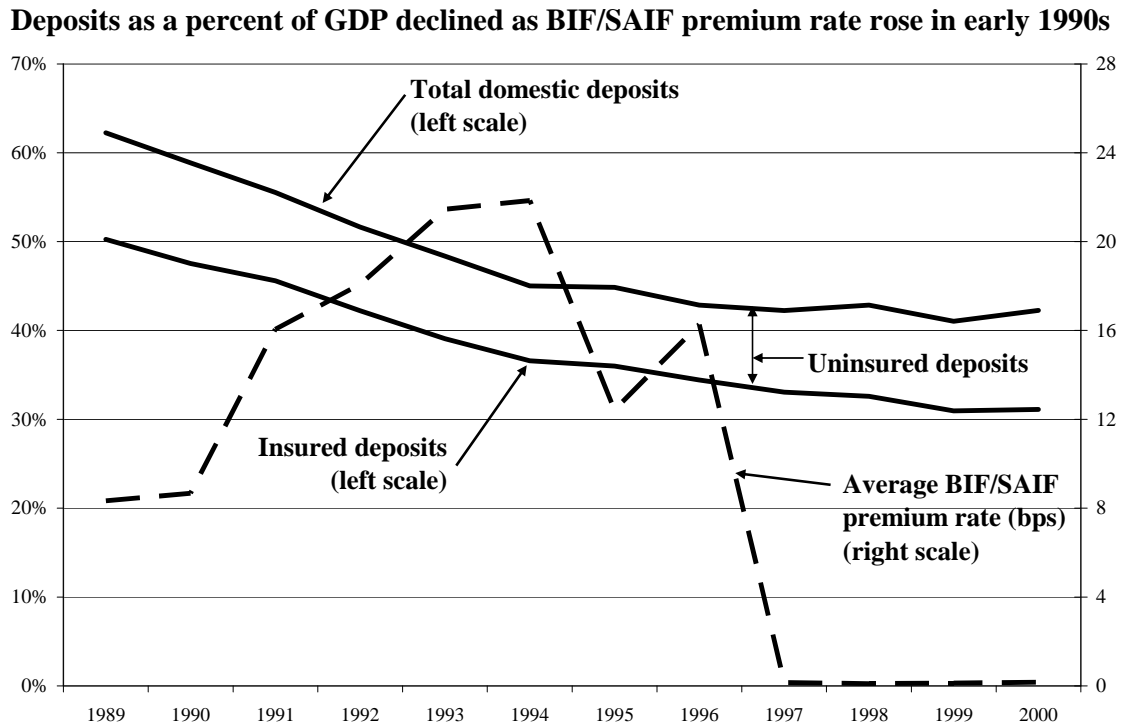
Impact of higher premiums on deposit growth and uninsured deposits

FDIC data shows that higher deposit insurance premiums lead to lower or negative growth of total deposits and a clear decline in the ratio of deposits to GDP. There is good reason to believe that some decline will occur again as banks pass higher deposit-insurance premiums through to depositors, in the form of lower interest rates. Any special assessment also will be passed through to depositors, further depressing deposit levels.

In 1991, the average Bank Insurance Fund (BIF)/Savings Association Insurance Fund (SAIF) premium rate nearly doubled from the previous level of rates, rising to 16.05 bps from 8.67 bps in 1990 and 8.33 bps in 1989. The average premium rate ranged from 12.42 bps to 21.85 bps in the 1991 to 1996 period before dropping in 1997 to a small fraction of one basis point.

The impact of higher premium rates on bank deposits was dramatic, as Figure 3 illustrates. The dollar amount of total domestic bank deposits actually dropped, from \$2.76 trillion at the end of 1990 to \$2.69 trillion at the end of 1996, even though nominal GDP grew 35% over that period. While the decline in insured deposits as a percent of GDP was quite noticeable, from 47.55% at the end of 1991 to 34.42% at the end of 1996, a decline which continued after 1996, the effect of a higher premium rate on uninsured deposits is especially evident.

Figure 3

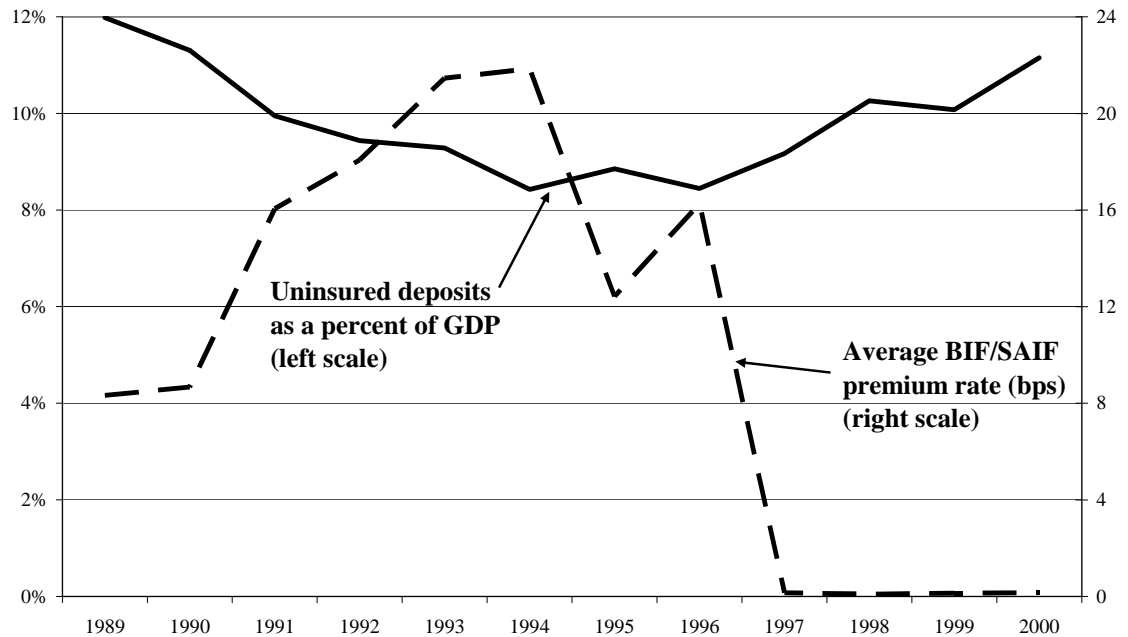


See Table 2 (appended) for the data underlying this chart.

As Figure 4 shows, uninsured deposits as a percent of GDP declined sharply during 1991, from 11.30% of GDP at the end of 1990 to 9.95% of GDP one year later. From the end of 1991 to the end of 1996, uninsured deposits as a percent of GDP trended downward, reaching 8.45% by the end of 1996. As Figure 4 shows, beginning in 1997, the first year of substantially lower premium rates, this percentage began to rise, reaching 11.15% by the end of 2000. Clearly, uninsured deposits, which are far more rate sensitive than smaller-balance insured deposits, were negatively affected as banks passed the higher premium rates of the 1991-1996 period through to depositors.

Figure 4

Uninsured deposits in banks were highly sensitive to BIF/SAIF premium rates
 Uninsured deposits as a percent of GDP declined as BIF/SAIF premium rates rose in the early 1990s and then rose as a percent of GDP when BIF/SAIF rates dropped



See Table 2 (appended) for the data underlying this chart.

Arguably, rising stock prices triggered a decline in bank deposits during the 1990s as depositors pulled funds out of banks to invest in the stock market. However, that phenomenon could happen again as the economy and the stock market begin to recover. High deposit insurance premiums would accentuate that outflow.

The chief financial officers (CFOs) of several banks have confirmed the likely impact of higher deposit-insurance rates. The CFO of a bank with over \$100 billion in assets said that he would expect his deposits to decline based upon the actions that would have to be taken to offset this premium increase. Another banker said that the last time FDIC premiums reached this level the deposits declined at that institution. The CFO of a large bank said that the current low loan rates, which are likely to persist for a year or two, do not make deposit-gathering very attractive because interest spreads are narrower than usual and will remain that way until loan rates begin to rise. In fact, many deposits being gathered today actually are dilutive to earnings. Levying a special assessment at this time will merely worsen that condition, increasing the rate of deposit shrinkage.

None of the bankers expressed a belief that deposits would grow if the special assessment is levied. However, the secondary effects of higher rates could be much broader and more severe. Lower deposit levels will mean less bank lending at a time when Congress and the Administration want banks to lend more. Less lending also will mean lower bank profits, which in turn will slow the rebuilding of bank capital through retained earnings. In past years, banks could readily compensate for relatively low

deposit growth through increased borrowings, such as from the Federal Home Loan Banks. However, increased premium rates associated with high levels of secured borrowings will reduce the attractiveness of that funding source. Hence, just as banks are expected to lend more, they will be starved for deposits, the primary funding source for loans.

All taxes affect supply and demand. FDIC premiums effectively are a tax on bank deposits. A higher tax on deposits will lead to slower deposit growth and less lending at a time when banks are expected to lend more to help fuel an economic recovery.

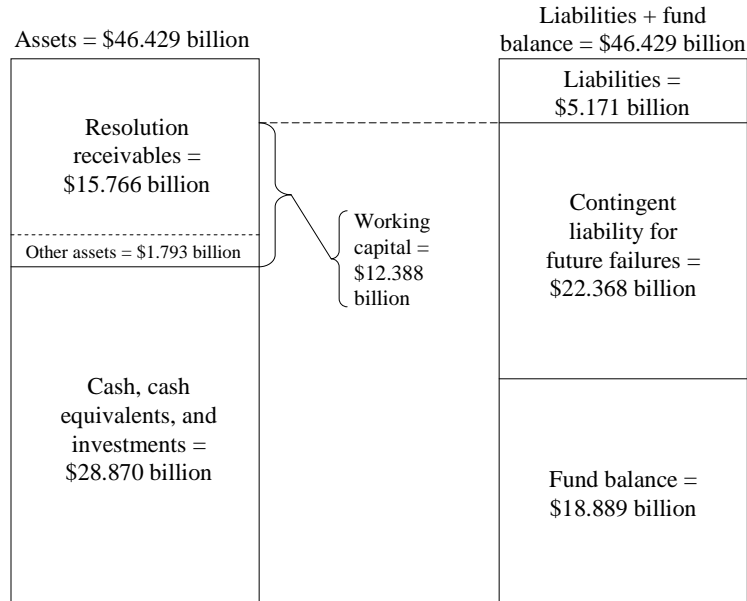
Borrowing from the Treasury

The purpose of any FDIC borrowing from another governmental agency should be to finance the FDIC's working capital needs, principally non-liquid assets such as net receivables from the receiverships of failed banks (called "receivables from resolutions") less FDIC liabilities other than its contingent liability for future failures. Unfortunately, FDIC borrowings from the Treasury, from the Federal Reserve, or from other sources will not boost the DIF reserve ratio – only the DIF's net income can increase the DIF Fund Balance and therefore the reserve ratio.

As of December 31, 2008 (the most recent date for which figures are available), the DIF had a working-capital need of \$12.388 billion, consisting of \$17.559 billion of non-liquid assets (principally receivership receivables of \$15.766 billion) less \$5.171 billion of liabilities. That working-capital position was effectively funded by the DIF fund balance and contingent liability for future failures. That is, the DIF's cash, cash equivalents, and investments of \$28.870 billion were \$12.388 billion less than the DIF fund balance plus contingent liability of \$41.257 billion. Figure 5 illustrates the DIF balance sheet as of December 31, 2008.

Figure 5

DIF balance sheet on December 31, 2008

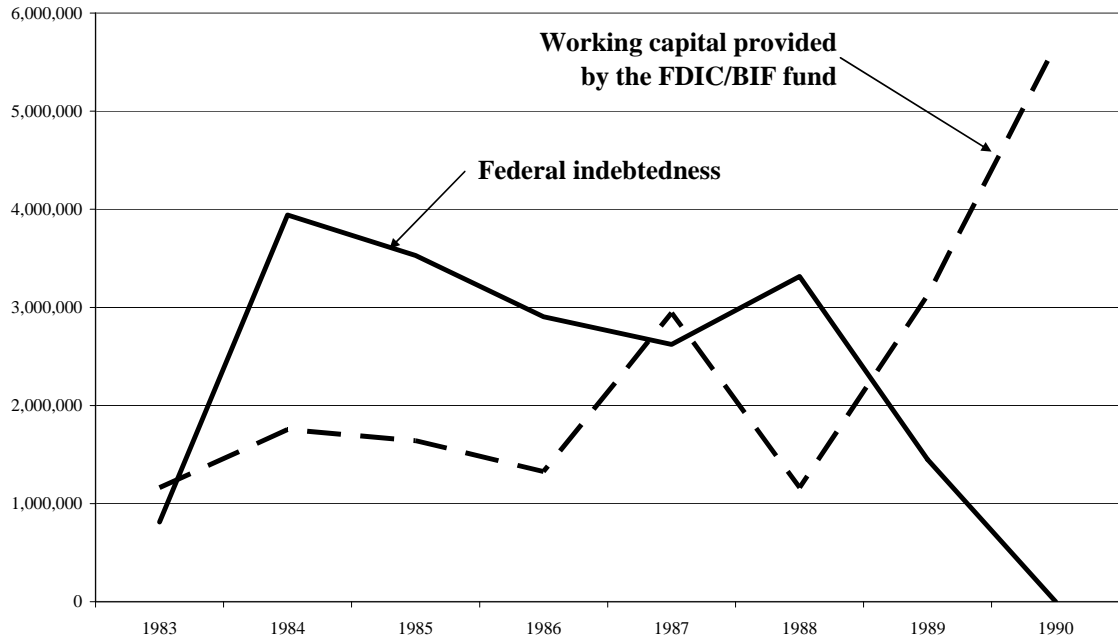


Source: CFO report to the FDIC Board of Directors. Excludes \$3.515 billion of assets and the same amount of liabilities related to the TLGP.

Should the FDIC working-capital need increase dramatically, such as through a large increase in receivership receivables due to a large bank failure, the FDIC should meet that need through borrowings, which would not be procyclical, rather than through a special assessment, which would be procyclical. The FDIC has borrowed previously from the Federal Reserve to help fund its balance sheet, and specifically to help fund FDIC advances to its failed-bank receiverships. As the solid line in Figure 6 shows, the FDIC was borrowing from federal entities as early as 1983. That borrowing jumped in 1984 with the FDIC's assumption of a loan from the Federal Reserve to Continental Illinois, which failed in May 1984. That loan did not get paid off in full until 1990.

Figure 6

Federal funding and working capital provided by the FDIC/BIF fund
 (dollars in thousands -- data points are as of December 31)



Source: Table 3, appended.

The dashed line in Figure 6 shows the extent to which the FDIC funded its working capital needs during the 1983-90 period from its fund balance, which had the effect of reducing its interest-bearing investment in Treasury securities. Those working capital needs grew dramatically in the late 1980s as the number of bank failures increased. The FDIC's working capital needs will increase again with the current rise in bank failures. If the current yield on the FDIC's investment portfolio is greater than the cost of borrowing under its Treasury line of credit or from the Federal Reserve, then it clearly is in the FDIC's interest and the banking industry's interest, to borrow for its working capital needs rather than liquidating its securities portfolio.

Some portion of the DIF's resolution receivables may consist of interest-bearing loans to the acquirers of failed banks or failed-bank assets. Such loans should carry a market rate of interest and should be funded with borrowings that carry a positive interest-rate margin rather than assessing additional premiums on the banking industry. That is, instead of drawing its investment portfolio down to an uncomfortable level in order to fund loans it makes, the FDIC should borrow the funds it relends rather than assessing additional premiums. Alternatively, the FDIC could guarantee loans made by third parties in exchange for a guarantee fee, as it has proposed to do under its recently announced Legacy Loan program.

High Cost of Failures

The Roundtable understands that the extremely high deposit-insurance losses last year require higher deposit-insurance premiums. However, the Roundtable is concerned about the high cost of these failures, the high loss ratio in these failures, and the consequent cost of recent bank failures to the banking industry through higher deposit-insurance assessments.

On an annualized basis, an across-the-board premium-rate increase of seven basis points that became effective on January 1 of this year plus the proposed 20 basis point emergency assessment will cost the banking industry \$20 billion,¹² before any utilization of one-time premium credits. That amount exceeds the banking industry's pre-tax profit for all of 2008 by approximately \$4 billion. Given a slowing economy and the continued increase in loan-loss provisions for 2009, if banks cannot pass a premium increase of this magnitude through to depositors, the banking industry as a whole could lose money in 2009 at a time when the industry needs to build its capital, through higher retained earnings, to meet increased loan demand.

High deposit-insurance losses are not only being driven by the sharp increase in bank failures – 48 over the last two years -- but by the huge cost of those failures – approximately \$20 billion, according to published FDIC loss estimates. Even more troubling is the high loss rate in these failures – equal to approximately 34 percent of total deposits in these failures. That loss rate is nearly triple the 13 percent loss rate in all bank and thrift failures which occurred between 1990 and 2004.

The Roundtable *urges* the FDIC and the other bank regulatory agencies to take the steps necessary to substantially reduce insolvency losses, and the consequent loss percentage, in failed banks. These actions potentially could greatly reduce the \$65 billion insolvency-loss projection the FDIC has forecast for the 2008-2013 period.¹³

Should the FDIC and its fellow regulators succeed in reducing the amount of loss incurred in failed banks, the FDIC needs to factor that lower loss expectation in a revised Restoration Plan for the DIF so that it can charge lower premium rates while taking seven years to restore the DIF to the statutory minimum reserve ratio of 1.15%. Accordingly, the FDIC should postpone establishing an emergency assessment to restore the DIF to a 1.15% reserve ratio until such time as the FDIC can realistically project when the reserve ratio will reach 1.15% in concert with the maximum allowable time for completing a DIF restoration plan.

Incorporate into the Restoration Plan likely proceeds from the TLGP

The FDIC has indicated that it will collect substantial sums under its Temporary Liquidity Guarantee Program (TLGP). According to a March 20, 2009, speech by FDIC Chairman Sheila Bair to the Independent Community Bankers of America, the FDIC hopes “to get extra revenue from our TLGP. We have taken in over \$5 billion so far on

¹² The seven basis point assessment increase plus a 20-basis-point special assessment equals 27 basis points. Assuming an assessment base of \$7.5 trillion, a 27-basis-point assessment would equal \$20.25 billion (\$7.5 trillion x .0027).

¹³ 73 Fed. Reg. 61573 (October 16, 2008).

the debt program. And we haven't had any losses. If this money isn't needed to cover defaults, it will go into the insurance fund and could help reduce future assessments. And earlier this week, we started imposing a surcharge for new guaranteed debt that will go immediately into the insurance fund."

Given the high guarantee fees being charged by the FDIC and the fact that weak institutions are not eligible to participate in the TLGP, the TLGP's losses should be quite low. Therefore, it seems eminently reasonable to incorporate into the DIF restoration plan the expected contribution of the TLGP to the DIF, even if that contribution will not take place for several years. Such an expectation is no different than projecting DIF premium income a few years hence. Additionally, because of the substantial procyclical premium hike which already has taken place this year – the seven basis point, \$5 billion across-the-board rate increase on January 1 – the FDIC should consider reducing or eliminating that rate increase so as to further ease the impact of higher premiums on bank deposit rates and bank earnings during this recessionary time.

Unintended Consequences

To the extent that banks cannot pass higher premiums through to depositors, banks might be forced to cut dividends even more than they already have been cut. These dividend cuts could negatively impact the fastest growing segment of the American population, the aging and retired who live on a fixed income. This very large segment of the population has traditionally lived on interest income from time deposits and dividend income from various sectors, with a concentration in bank stocks. Higher FDIC premium assessments will require banks either to reduce funding costs, through lower interest payments on deposits, or further restrict dividend payments to a large sector of the population.

The second unintended consequence as previously discussed is on lending. When deposit growth stalls and capital does not build as rapidly, due to lower earnings, the ability of banks to lend will be impaired.

Another unintended consequence of any special assessment is regarding certificates of deposits issued prior to the announcement that a special assessment may be levied. These certificates of deposits will have to bear that additional unanticipated cost should the assessment be levied. Because the interest rate on these certificates is fixed, banks would be forced to try to recover the special assessment by further lowering interest rates on other deposits, such as new certificates of deposit as well as money-market accounts. Those lower rates would further impair the ability of banks to attract lendable funds, which would be harmful to the economic recovery. If banks could not pass that cost through to depositors, banks will suffer lower profits and consequently not build their capital as fast as they otherwise would.

The fourth and perhaps most significant consequence -- additional bank failures will occur because the special assessment will lead to higher operating losses and weakened capital positions at banks already losing money. While the FDIC has projected the impact of the Final Rule on financial institutions to account for these additional failures, the FDIC seems willing to levy its assessment even though more than two-thirds of all banks and thrifts would lose money in 2009, based on annualized results for the

second half of 2008 (Table A.1 in Appendix 2 to the Interim Rule), if the special assessment is levied. As bad as this is, the industry's earnings outlook for 2009, based upon an extrapolation of fourth quarter 2008 numbers, most likely would be even worse. As prudent as it may seem for the FDIC to assess higher premiums to cover future insurance losses, that will be penny-wise and pound foolish as it creates the potential for a dramatic increase in bank failures, which would increase the amount of future assessments needed to rebuild the DIF reserve ratio.

Conclusion

The Roundtable fully appreciates and understands the position the FDIC has taken on the need to rebuild the DIF reserve ratio through increased industry assessments. We are in extraordinary times. However, restoring the DIF reserve ratio at a time when the economy must be stabilized is highly questionable. Given the obligation of the banking industry to rebuild the DIF, DIF premium increases should only be made with the best interests of taxpayers and the economy in mind.

Given that the Interim Rule, combined with the recent premium rate increase, will boost premiums by five times their 2008 level, the Interim Rule will have a negative impact on the banking industry, will dampen deposit growth, will directly result in healthy banks being less able to extend credit, and will lead to an increase in the number of bank failures.

Therefore, the Roundtable recommends that the FDIC amend the Interim Rule to reflect the recommendations in this paper and replenish the DIF in the latter years of the Restoration Plan when the economy and the banking industry have recovered. This alternative offers a solution that will not place additional strain on the banking industry, yet, rebuilds the DIF in a countercyclical manner with the same end result as the Interim Rule.

TABLE 1

DIF projection model

Dollars in millions, except as noted; assumptions in shaded cells

FDIC case -- 20 bps in 2009

Calendar Year	Growth rate -- nominal	Nominal GDP for the year (billions)	Deposit growth relative to GDP	Assessment base/ domestic deposits			Percent of deposits insured	Estimated insured deposits (from QBP)	Insured deposits/GDP (EOY)	Growth rate of insured deposits	Estimated uninsured deposits (EOY)	Uninsured deposits/GDP (EOY)	DIF balance - EOY		
				Annual average	Avg. dep./GDP	EOY/Ann. Avg.									
[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]
2004	A	6.62%	11,685.9	0.983	5,423,351	46.41%	5,673,560	1.046	63.84%	3,622,059	31.00%	4.95%	2,051,501	17.56%	47,506.8
2005	A	6.30%	12,421.9	1.025	5,909,219	47.57%	6,177,429	1.045	62.99%	3,890,941	31.32%	7.42%	2,286,488	18.41%	48,596.6
2006	A	6.09%	13,178.4	1.024	6,420,198	48.72%	6,640,105	1.034	62.56%	4,153,786	31.52%	6.76%	2,486,319	18.87%	50,165.3
2007	A	4.77%	13,807.5	1.001	6,732,591	48.76%	6,921,656	1.028	62.01%	4,292,163	31.09%	3.33%	2,629,493	19.04%	52,413.0
2008	E	3.31%	14,264.6	1.026	7,139,201	50.05%	7,505,360	1.051	63.38%	4,756,809	33.35%	10.83%	2,748,551	19.27%	18,889.0
2009	P	0.00%	14,264.6	0.979	6,989,654	49.00%	7,339,137	1.050	66.00%	4,843,830	33.96%	1.83%	2,495,306	17.49%	23,377.7
2010	P	1.00%	14,407.2	0.980	6,915,478	48.00%	7,157,520	1.035	66.00%	4,723,963	32.79%	-2.47%	2,433,557	16.89%	20,531.2
2011	P	3.00%	14,839.5	0.979	6,974,548	47.00%	7,253,530	1.040	66.00%	4,787,330	32.26%	1.34%	2,466,200	16.62%	23,835.7
2012	P	5.00%	15,581.4	1.000	7,323,275	47.00%	7,616,206	1.040	66.00%	5,026,696	32.26%	5.00%	2,589,510	16.62%	32,364.1
2013	P	6.00%	16,516.3	0.989	7,680,090	46.50%	8,025,694	1.045	66.00%	5,296,958	32.07%	5.38%	2,728,736	16.52%	44,074.2
2014	P	6.00%	17,507.3	0.989	8,053,359	46.00%	8,415,760	1.045	66.00%	5,554,402	31.73%	4.86%	2,861,358	16.34%	57,101.9
2015	P	6.00%	18,557.7	1.000	8,536,561	46.00%	8,920,706	1.045	66.00%	5,887,666	31.73%	6.00%	3,033,040	16.34%	71,488.9

FDIC case -- 10 bps in 2009

2004	A	6.62%	11,685.9	0.983	5,423,351	46.41%	5,673,560	1.046	63.84%	3,622,059	31.00%	4.95%	2,051,501	17.56%	47,506.8
2005	A	6.30%	12,421.9	1.025	5,909,219	47.57%	6,177,429	1.045	62.99%	3,890,941	31.32%	7.42%	2,286,488	18.41%	48,596.6
2006	A	6.09%	13,178.4	1.024	6,420,198	48.72%	6,640,105	1.034	62.56%	4,153,786	31.52%	6.76%	2,486,319	18.87%	50,165.3
2007	A	4.77%	13,807.5	1.001	6,732,591	48.76%	6,921,656	1.028	62.01%	4,292,163	31.09%	3.33%	2,629,493	19.04%	52,413.0
2008	E	3.31%	14,264.6	1.026	7,139,201	50.05%	7,505,354	1.051	63.42%	4,759,995	33.37%	10.90%	2,745,359	19.25%	18,889.0
2009	P	0.00%	14,264.6	0.979	6,989,654	49.00%	7,339,137	1.050	66.00%	4,843,830	33.96%	1.76%	2,495,306	17.49%	16,245.4
2010	P	1.00%	14,407.2	0.980	6,915,478	48.00%	7,157,520	1.035	66.00%	4,723,963	32.79%	-2.47%	2,433,557	16.89%	13,181.7
2011	P	3.00%	14,839.5	0.990	7,048,745	47.50%	7,330,695	1.040	65.00%	4,764,952	32.11%	0.87%	2,565,743	17.29%	16,340.6
2012	P	5.00%	15,581.4	0.989	7,323,275	47.00%	7,616,206	1.040	65.00%	4,950,534	31.77%	3.89%	2,665,672	17.11%	26,057.7
2013	P	6.00%	16,516.3	0.989	7,680,090	46.50%	8,025,694	1.045	65.00%	5,216,701	31.59%	5.38%	2,808,993	17.01%	39,048.9
2014	P	6.00%	17,507.3	0.989	8,053,359	46.00%	8,415,760	1.045	66.00%	5,554,402	31.73%	6.47%	2,861,358	16.34%	53,470.8
2015	P	6.00%	18,557.7	1.000	8,536,561	46.00%	8,920,706	1.045	66.00%	5,887,666	31.73%	6.00%	3,033,040	16.34%	69,422.7

FSR -- Alternative 1

2004	A	6.62%	11,685.9	0.983	5,423,351	46.41%	5,673,560	1.046	63.84%	3,622,059	31.00%	4.95%	2,051,501	17.56%	47,506.8
2005	A	6.30%	12,421.9	1.025	5,909,219	47.57%	6,177,429	1.045	62.99%	3,890,941	31.32%	7.42%	2,286,488	18.41%	48,596.6
2006	A	6.09%	13,178.4	1.024	6,420,198	48.72%	6,640,105	1.034	62.56%	4,153,786	31.52%	6.76%	2,486,319	18.87%	50,165.3
2007	A	4.77%	13,807.5	1.001	6,732,591	48.76%	6,921,656	1.028	62.01%	4,292,163	31.09%	3.33%	2,629,493	19.04%	52,413.0
2008	E	3.31%	14,264.6	1.026	7,139,201	50.05%	7,505,360	1.051	63.38%	4,756,809	33.35%	10.83%	2,748,551	19.27%	18,889.0
2009	P	0.00%	14,264.6	0.999	7,132,300	50.00%	7,488,915	1.050	63.00%	4,718,016	33.08%	-0.82%	2,770,899	19.43%	9,337.3
2010	P	1.00%	14,407.2	0.980	7,059,551	49.00%	7,306,635	1.035	66.00%	4,822,379	33.47%	2.21%	2,484,256	17.24%	8,438.5
2011	P	3.00%	14,839.5	0.980	7,122,942	48.00%	7,407,860	1.040	64.00%	4,741,030	31.95%	-1.69%	2,666,830	17.97%	13,719.7
2012	P	5.00%	15,581.4	0.979	7,323,275	47.00%	7,616,206	1.040	64.00%	4,874,372	31.28%	2.81%	2,741,834	17.60%	24,077.1
2013	P	6.00%	16,516.3	0.989	7,680,090	46.50%	8,025,694	1.045	65.00%	5,216,701	31.59%	7.02%	2,808,993	17.01%	37,762.8
2014	P	6.00%	17,507.3	0.989	8,053,359	46.00%	8,415,760	1.045	65.00%	5,470,244	31.25%	4.86%	2,945,516	16.82%	52,944.7
2015	P	6.00%	18,557.7	1.000	8,536,561	46.00%	8,920,706	1.045	65.00%	5,798,459	31.25%	6.00%	3,122,247	16.82%	69,745.2

FSR -- Alternative 2

2004	A	6.62%	11,685.9	0.983	5,423,351	46.41%	5,673,560	1.046	63.84%	3,622,059	31.00%	4.95%	2,051,501	17.56%	47,506.8
2005	A	6.30%	12,421.9	1.025	5,909,219	47.57%	6,177,429	1.045	62.99%	3,890,941	31.32%	7.42%	2,286,488	18.41%	48,596.6
2006	A	6.09%	13,178.4	1.024	6,420,198	48.72%	6,640,105	1.034	62.56%	4,153,786	31.52%	6.76%	2,486,319	18.87%	50,165.3
2007	A	4.77%	13,807.5	1.001	6,732,591	48.76%	6,921,656	1.028	62.01%	4,292,163	31.09%	3.33%	2,629,493	19.04%	52,413.0
2008	E	3.31%	14,264.6	1.026	7,139,201	50.05%	7,505,360	1.051	63.38%	4,756,809	33.35%	10.83%	2,748,551	19.27%	18,889.0
2009	P	0.00%	14,264.6	0.999	7,132,300	50.00%	7,488,915	1.050	63.00%	4,718,016	33.08%	-0.82%	2,770,899	19.43%	9,337.3
2010	P	1.00%	14,407.2	0.980	7,059,551	49.00%	7,306,635	1.035	66.00%	4,822,379	33.47%	2.21%	2,484,256	17.24%	6,288.4
2011	P	3.00%	14,839.5	0.980	7,122,942	48.00%	7,407,860	1.040	64.00%	4,741,030	31.95%	-1.69%	2,666,830	17.97%	11,493.0
2012	P	5.00%	15,581.4	0.979	7,323,275	47.00%	7,616,206	1.040	64.00%	4,874,372	31.28%	2.81%	2,741,834	17.60%	21,759.5
2013	P	6.00%	16,516.3	0.989	7,680,090	46.50%	8,025,694	1.045	65.00%	5,216,701	31.59%	7.02%	2,808,993	17.01%	35,338.5
2014	P	6.00%	17,507.3	0.989	8,053,359	46.00%	8,415,760	1.045	65.00%	5,470,244	31.25%	4.86%	2,945,516	16.82%	51,222.1
2015	P	6.00%	18,557.7	1.000	8,536,561	46.00%	8,920,706	1.045	65.00%	5,798,459	31.25%	6.00%	3,122,247	16.82%	68,809.7

A = Actual, based on FDIC annual reports, except GDP numbers, which come from the Bureau of Economic Analysis.

E = Estimated, based on FDIC CFO reports.

P = Projected.

EOY = End of the calendar year.

TABLE 1

Table 1, second part

DIF projection model

Dollars in millions, except as noted; assumptions in shaded cells

Calendar Year	DIF reserve ratio	Reserve ratio w/ no loss reserve	Average risk-based premium rate (bps)	Special assessment rate (bps)	Total premium rate (bps)	Assessment income	Invest. income/average DIF bal.	Investment and other income	DIF loss reserve balance EOY	Additions to loss reserve	Imputed Cost of failures	Annual increase in oper. expense	FDIC operating expense	DIF net income	Unrealized gains (losses)	Comprehensive income
[1]	[17]	[18]	[19]	[20]	[21]	[22]	[23]	[24]	[25]	[26]	[27]	[28]	[29]	[30]	[31]	[32]
2004	1.312%	1.312%	0.19	0.00	0.19	104.3	4.57%	2,136.1	10.2	(353.4)	(182.16)		961.0	1,632.8	(148.7)	1,484.1
2005	1.249%	1.249%	0.10	0.00	0.10	60.6	4.99%	2,359.9	5.4	(160.2)	(155.35)		969.7	1,611.0	(521.4)	1,089.7
2006	1.208%	1.210%	0.05	0.00	0.05	31.9	5.43%	2,611.6	110.8	(52.1)	(157.51)		956.4	1,739.2	(170.5)	1,568.7
2007	1.221%	1.224%	0.95	0.00	0.95	642.9	5.19%	2,553.3	124.3	95.0	81.50		995.9	2,105.3	142.5	2,247.8
2008	0.397%	0.867%	4.15	0.00	4.15	2,965.0	8.87%	2,878.0	22,368.0	40,226.0	17,982.28		1,037.0	-35,420.0	1,896.0	-33,524.8
2009	0.483%	0.903%	15.40	20.00	35.40	24,743.4	4.00%	845.3	20,368.0	20,000.0	22,000.00		1,100.0	4,488.7	0.0	4,488.7
2010	0.435%	0.718%	15.40	0.00	15.40	10,649.8	3.00%	658.6	13,368.0	13,000.0	20,000.00	5.00%	1,155.0	-2,846.5	0.0	-2,846.5
2011	0.498%	0.652%	15.40	0.00	15.40	10,740.8	3.50%	776.4	7,368.0	7,000.0	13,000.00	5.00%	1,212.8	3,304.5	0.0	3,304.5
2012	0.644%	0.703%	15.40	0.00	15.40	11,277.8	4.00%	1,124.0	2,968.0	2,600.0	7,000.00	5.00%	1,273.4	8,528.5	0.0	8,528.5
2013	0.832%	0.841%	15.40	0.00	15.40	11,827.3	4.50%	1,719.9	468.0	500.0	3,000.00	5.00%	1,337.1	11,710.1	0.0	11,710.1
2014	1.028%	1.036%	15.40	0.00	15.40	12,402.2	5.00%	2,529.4	468.0	500.0	500.00	5.00%	1,403.9	13,027.7	0.0	13,027.7
2015	1.214%	1.222%	15.40	0.00	15.40	13,146.3	5.00%	3,214.8	468.0	500.0	500.00	5.00%	1,474.1	14,387.0	0.0	14,387.0
Totals -- 2008 to 2015					132.0	97,752.7		13,746.4		84,326.0	83,982.3		9,993.2	17,179.9	1,896.0	19,075.9
FDIC case -- 10 bps in 2009																
2004	1.312%	1.312%	0.19	0.00	0.19	104.3	4.57%	2,136.1	10.2	(353.4)	(182.16)		961.0	1,632.8	(148.7)	1,484.1
2005	1.249%	1.249%	0.10	0.00	0.10	60.6	4.99%	2,359.9	5.4	(160.2)	(155.35)		969.7	1,611.0	(521.4)	1,089.7
2006	1.208%	1.210%	0.05	0.00	0.05	31.9	5.43%	2,611.6	110.8	(52.1)	(157.51)		956.4	1,739.2	(170.5)	1,568.7
2007	1.221%	1.224%	0.95	0.00	0.95	642.9	5.19%	2,553.3	124.3	95.0	81.50		995.9	2,105.3	142.5	2,247.8
2008	0.397%	0.867%	4.15	0.00	4.15	2,965.0	8.87%	2,878.0	22,368.0	40,226.0	17,982.28		1,037.0	-35,420.0	1,896.0	-33,524.0
2009	0.335%	0.756%	15.40	10.00	25.40	17,753.7	4.00%	702.7	20,368.0	20,000.0	22,000.00		1,100.0	-2,643.6	0.0	-2,643.6
2010	0.279%	0.562%	15.40	0.00	15.40	10,649.8	3.00%	441.4	13,368.0	13,000.0	20,000.00	5.00%	1,155.0	-3,063.8	0.0	-3,063.8
2011	0.343%	0.498%	15.40	0.00	15.40	10,855.1	3.50%	516.6	7,368.0	7,000.0	13,000.00	5.00%	1,212.8	3,159.0	0.0	3,159.0
2012	0.526%	0.586%	15.40	2.00	17.40	12,742.5	4.00%	848.0	2,968.0	2,600.0	7,000.00	5.00%	1,273.4	9,717.1	0.0	9,717.1
2013	0.749%	0.758%	15.40	2.00	17.40	13,363.4	4.50%	1,464.9	468.0	500.0	3,000.00	5.00%	1,337.1	12,991.2	0.0	12,991.2
2014	0.963%	0.971%	15.40	2.00	17.40	14,012.8	5.00%	2,313.0	468.0	500.0	500.00	5.00%	1,403.9	14,421.9	0.0	14,421.9
2015	1.179%	1.187%	15.40	2.00	17.40	14,853.6	5.00%	3,072.3	468.0	500.0	500.00	5.00%	1,474.1	15,951.8	0.0	15,951.8
Totals -- 2008 to 2015					130.0	97,195.9		12,236.9		84,326.0	83,982.3		9,993.2	15,113.7	1,896.0	17,009.7
FSR -- Alternative 1																
2004	1.312%	1.312%	0.19	0.00	0.19	104.3	4.57%	2,136.1	10.2	(353.4)	(182.16)		961.0	1,632.8	(148.7)	1,484.1
2005	1.249%	1.249%	0.10	0.00	0.10	60.6	4.99%	2,359.9	5.4	(160.2)	(155.35)		969.7	1,611.0	(521.4)	1,089.7
2006	1.208%	1.210%	0.05	0.00	0.05	31.9	5.43%	2,611.6	110.8	(52.1)	(157.51)		956.4	1,739.2	(170.5)	1,568.7
2007	1.221%	1.224%	0.95	0.00	0.95	642.9	5.19%	2,553.3	124.3	95.0	81.50		995.9	2,105.3	142.5	2,247.8
2008	0.397%	0.867%	4.15	0.00	4.15	2,965.0	8.87%	2,878.0	22,368.0	40,226.0	17,982.28		1,037.0	-35,420.0	1,896.0	-33,524.0
2009	0.198%	0.630%	15.40	0.00	15.40	10,983.7	4.00%	564.5	20,368.0	20,000.0	22,000.00		1,100.0	-9,551.7	0.0	-9,551.7
2010	0.175%	0.452%	15.40	3.00	18.40	12,989.6	3.00%	266.6	13,368.0	13,000.0	20,000.00	5.00%	1,155.0	-898.8	0.0	-898.8
2011	0.289%	0.445%	15.40	3.00	18.40	13,106.2	3.50%	387.8	7,368.0	7,000.0	13,000.00	5.00%	1,212.8	5,281.2	0.0	5,281.2
2012	0.494%	0.555%	15.40	3.00	18.40	13,474.8	4.00%	755.9	2,968.0	2,600.0	7,000.00	5.00%	1,273.4	10,357.4	0.0	10,357.4
2013	0.724%	0.733%	15.40	3.00	18.40	14,131.4	4.50%	1,391.4	468.0	500.0	3,000.00	5.00%	1,337.1	13,685.7	0.0	13,685.7
2014	0.968%	0.976%	15.40	3.00	18.40	14,818.2	5.00%	2,267.7	468.0	500.0	500.00	5.00%	1,403.9	15,182.0	0.0	15,182.0
2015	1.203%	1.211%	15.40	3.00	18.40	15,707.3	5.00%	3,067.2	468.0	500.0	500.00	5.00%	1,474.1	16,800.4	0.0	16,800.4
Totals -- 2008 to 2015					130.0	98,176.2		11,579.2		84,326.0	83,982.3		9,993.2	15,436.2	1,896.0	17,332.2
FSR -- Alternative 2																
2004	1.312%	1.312%	0.19	0.00	0.19	104.3	4.57%	2,136.1	10.2	(353.4)	(182.16)		961.0	1,632.8	(148.7)	1,484.1
2005	1.249%	1.249%	0.10	0.00	0.10	60.6	4.99%	2,359.9	5.4	(160.2)	(155.35)		969.7	1,611.0	(521.4)	1,089.7
2006	1.208%	1.210%	0.05	0.00	0.05	31.9	5.43%	2,611.6	110.8	(52.1)	(157.51)		956.4	1,739.2	(170.5)	1,568.7
2007	1.221%	1.224%	0.95	0.00	0.95	642.9	5.19%	2,553.3	124.3	95.0	81.50		995.9	2,105.3	142.5	2,247.8
2008	0.397%	0.867%	4.15	0.00	4.15	2,965.0	8.87%	2,878.0	22,368.0	40,226.0	17,982.28		1,037.0	-35,420.0	1,896.0	-33,524.0
2009	0.198%	0.630%	15.40	0.00	15.40	10,983.7	4.00%	564.5	20,368.0	20,000.0	22,000.00		1,100.0	-9,551.7	0.0	-9,551.7
2010	0.130%	0.408%	15.40	0.00	15.40	10,871.7	3.00%	234.4	13,368.0	13,000.0	20,000.00	5.00%	1,155.0	-3,048.9	0.0	-3,048.9
2011	0.242%	0.398%	15.40	3.00	18.40	13,106.2	3.50%	311.2	7,368.0	7,000.0	13,000.00	5.00%	1,212.8	5,204.6	0.0	5,204.6
2012	0.446%	0.507%	15.40	3.00	18.40	13,474.8	4.00%	665.0	2,968.0	2,600.0	7,000.00	5.00%	1,273.4	10,266.5	0.0	10,266.5
2013	0.677%	0.686%	15.40	3.00	18.40	14,131.4	4.50%	1,284.7	468.0	500.0	3,000.00	5.00%	1,337.1	13,579.0	0.0	13,579.0
2014	0.936%	0.945%	15.40	4.00	19.40	15,623.5	5.00%	2,164.0	468.0	500.0	500.00	5.00%	1,403.9	15,883.6	0.0	15,883.6
2015	1.187%	1.195%	15.40	4.00	19.40	16,560.9	5.00%	3,000.8	468.0	500.0	500.00	5.00%	1,474.1	17,587.6	0.0	17,587.6
Totals -- 2008 to 2015					129.0	97,717.3		11,102.6		84,326.0	83,982.3		9,993.2	14,500.7	1,896.0	16,396.7

TABLE 2

DIF financial history -- selected data

Dollars in millions

Total domestic deposits	As of December 31 (2008 quarter end)			As a percent of GDP			Percentage change			Insured deposits/ total dom. dep.	Effective Assessment rate (bps)	DIF Balance		DIF loss reserve		DIF balance + loss reserve			
	Nominal GDP	Total domestic deposits	Estimated insured deposits	Estimated <u>uninsured</u> deposits	Total domestic deposits	Estimated insured deposits	Estimated <u>uninsured</u> deposits	Total domestic deposits	Estimated insured deposits			Estimated <u>uninsured</u> deposits	% of insured deposits	Amount	% of insured deposits	Amount	% of insured deposits	Amount	% of insured deposits
1989	5,484.4	3,414,066	2,756,757	657,309	62.25%	50.27%	11.99%				80.75%	8.33	13,209.5	0.479%	3,820.3	0.139%	17,029.8	0.618%	
1990	5,803.1	3,415,668	2,759,640	656,028	58.86%	47.55%	11.30%	-3.39%	-2.71%	-0.68%	80.79%	8.67	4,062.7	0.147%	7,685.0	0.278%	11,747.7	0.426%	
1991	5,995.9	3,330,738	2,734,073	596,665	55.55%	45.60%	9.95%	-3.31%	-1.96%	-1.35%	82.09%	16.05	-6,934.0	-0.254%	16,345.9	0.598%	9,411.9	0.344%	
1992	6,337.7	3,273,180	2,675,081	598,099	51.65%	42.21%	9.44%	-3.90%	-3.39%	-0.51%	81.73%	18.07	178.4	0.007%	10,786.1	0.403%	10,964.5	0.410%	
1993	6,657.4	3,220,109	2,602,043	618,066	48.37%	39.08%	9.28%	-3.28%	-3.12%	-0.15%	80.81%	21.46	14,277.3	0.549%	2,990.0	0.115%	17,267.3	0.664%	
1994	7,072.2	3,184,636	2,588,686	595,950	45.03%	36.60%	8.43%	-3.34%	-2.48%	-0.86%	81.29%	21.85	13,784.5	0.532%	1,307.0	0.050%	15,091.5	0.583%	
1995	7,397.7	3,318,513	2,663,560	654,953	44.86%	36.01%	8.85%	-0.17%	-0.60%	0.43%	80.26%	12.42	28,811.5	1.082%	390.0	0.015%	29,201.5	1.096%	
1996	7,816.9	3,350,856	2,690,537	660,319	42.87%	34.42%	8.45%	-1.99%	-1.59%	-0.41%	80.29%	16.27	35,742.8	1.328%	79.0	0.003%	35,821.8	1.331%	
1997	8,304.3	3,507,493	2,746,006	761,487	42.24%	33.07%	9.17%	-0.63%	-1.35%	0.72%	78.29%	0.15	37,660.8	1.371%	11.0	0.000%	37,671.8	1.372%	
1998	8,747.0	3,747,809	2,850,227	897,582	42.85%	32.59%	10.26%	0.61%	-0.48%	1.09%	76.05%	0.10	39,452.1	1.384%	63.0	0.002%	39,515.1	1.386%	
1999	9,268.4	3,802,744	2,868,881	933,863	41.03%	30.95%	10.08%	-1.82%	-1.63%	-0.19%	75.44%	0.13	39,694.9	1.384%	363.0	0.013%	40,057.9	1.396%	
2000	9,817.0	4,149,355	3,054,360	1,094,995	42.27%	31.11%	11.15%	1.24%	0.16%	1.08%	73.61%	0.16	41,733.8	1.366%	375.4	0.012%	42,109.2	1.379%	
2001	10,128.0	4,481,888	3,210,727	1,271,161	44.25%	31.70%	12.55%	1.99%	0.59%	1.40%	71.64%	0.19	41,373.8	1.289%	2,144.0	0.067%	43,517.8	1.355%	
2002	10,469.6	4,857,327	3,387,799	1,469,528	46.39%	32.36%	14.04%	2.14%	0.66%	1.49%	69.75%	0.22	43,797.0	1.293%	1,098.6	0.032%	44,895.6	1.325%	
2003	10,960.8	5,182,016	3,451,117	1,730,899	47.28%	31.49%	15.79%	0.88%	-0.87%	1.76%	66.60%	0.19	46,022.3	1.334%	181.5	0.005%	46,203.8	1.339%	
2004	11,685.9	5,686,680	3,623,713	2,062,967	48.66%	31.01%	17.65%	1.39%	-0.48%	1.86%	63.72%	0.19	47,506.8	1.311%	10.2	0.000%	47,517.0	1.311%	
2005	12,421.9	6,168,148	3,890,941	2,277,207	49.66%	31.32%	18.33%	0.99%	0.31%	0.68%	63.08%	0.10	48,596.6	1.249%	5.4	0.000%	48,602.0	1.249%	
2006	13,178.4	6,640,105	4,153,786	2,486,319	50.39%	31.52%	18.87%	0.73%	0.20%	0.53%	62.56%	0.05	50,165.3	1.208%	110.8	0.003%	50,276.1	1.210%	
2007	13,807.5	6,921,686	4,292,163	2,629,523	50.13%	31.09%	19.04%	-0.26%	-0.43%	0.18%	62.01%	0.94	52,413.0	1.221%	124.3	0.003%	52,537.3	1.224%	
2008 Q1	14,150.8	7,076,719	4,437,862	2,638,857	50.01%	31.36%	18.65%	-0.12%	0.28%	-0.40%	62.71%	0.65	52,843.0	1.191%	583.0	0.013%	53,426.0	1.204%	
2008 Q2	14,294.5	7,036,247	4,467,614	2,568,633	49.22%	31.25%	17.97%	-0.79%	-0.11%	-0.68%	63.49%	0.90	45,217.0	1.012%	10,590.0	0.237%	55,807.0	1.249%	
2008 Q3	14,412.8	7,230,331	4,547,688	2,682,643	50.17%	31.55%	18.61%	0.94%	0.30%	0.64%	62.90%	1.25	34,588.0	0.761%	11,726.0	0.258%	46,314.0	1.018%	
2008 Q4	14,200.3	7,505,360	4,756,809	2,748,551	52.85%	33.50%	19.36%	2.69%	1.94%	0.74%	63.38%	1.38	18,889.0	0.397%	22,368.0	0.470%	41,257.0	0.867%	

Sources: FDIC annual reports and Quarterly Banking Profiles. Consolidates the results of the BIF and SAIF prior to their merger into the DIF.

TABLE 3

FDIC Borrowing History
Dollars in thousands

Year	Net receivables from assistance to insured banks	Net receivables from failures of insured banks	Other receivables from failed banks	Total	Liabilities incurred in assistance to failed banks			Liabilities incurred from failure of insured banks			Total liabilities	Net funding by fund balance	Memo: Federal indebtedness
					Federal	Other	Total	Federal	Other	Total			
					indebtedness			indebtedness					
1983	0	1,992,029	423,641	2,415,670	0	0	0	811,666	442,097	1,253,763	1,253,763	1,161,907	811,666
1984	3,757,429	2,143,540	560,883	6,461,852	3,500,000	348,342	3,848,342	442,667	416,974	859,641	4,707,983	1,753,869	3,942,667
1985	2,712,842	2,358,554	590,254	5,661,650	3,222,905	219,847	3,442,752	306,083	272,284	578,367	4,021,119	1,640,531	3,528,988
1986	1,854,691	2,617,542	735,390	5,207,623	2,904,299	129,809	3,034,108	0	847,242	847,242	3,881,350	1,326,273	2,904,299
1987	1,664,515	3,549,268	557,638	5,771,421	2,623,472	0	2,623,472	0	204,122	204,122	2,827,594	2,943,827	2,623,472
1988	N/A	N/A	N/A	5,813,873	3,316,178	1,335,210	4,651,388	N/A	N/A	N/A	4,651,388	1,162,485	3,316,178
1989	N/A	N/A	N/A	6,245,491	1,450,000	1,671,336	3,121,336	N/A	N/A	N/A	3,121,336	3,124,155	1,450,000
1990	N/A	N/A	N/A	12,778,820	0	7,105,640	7,105,640	N/A	N/A	N/A	7,105,640	5,673,180	0

Source: FDIC annual reports.