



The Wall Street Reform Act: Deposit Insurance

Expanding the Deposit Insurance Assessment Base

- **Background:** The FDIC will now base deposit-insurance assessments on average total consolidated assets of a bank during an assessment period minus average tangible equity, not just total domestic deposits, to ensure large firms shoulder their fair share of deposit-insurance premiums.
- **ICBA Position:** ICBA has long advocated this change to the Deposit Insurance Fund.
- **What's Next:** The bill requires the FDIC to amend its regulations with regard to the definition of “assessment base,” but does not provide a timeline for that action. ICBA anticipates the FDIC will issue regulations by year-end to define the assessment base and state what the new lower assessment rates will be.
- **What It Means for Community Banks:** *Expanding the assessment base will lower assessment rates and premiums for community banks, saving them some \$4.5 billion over the next three years.*

Deposit-Insurance Coverage

- **Background:** The new law will permanently increase FDIC deposit-insurance coverage to \$250,000. This increase will be retroactive for institutions that failed between Jan. 1, 2008, and Oct. 3, 2008.
- **ICBA Position:** ICBA has supported a permanent extension of the \$250,000 coverage level since it was temporarily introduced in 2008.
- **What's Next:** No further action is required, as the \$250,000 limit already is in effect. Depositors may file claims for losses exceeding \$100,000 incurred between Jan. 1 and Oct. 3, 2008.
- **What It Means for Community Banks:** *Higher deposit-insurance limits will help level the playing field with too-big-to-fail banks and will help community banks attract and keep deposits in their communities.*

Transaction Account Guarantee Program Extension

- **Background:** The law includes a two-year extension of the FDIC's Transaction Account Guarantee program, which provides unlimited deposit-insurance coverage for non-interest-bearing transaction accounts. The new program is modified such that it will no longer cover low-interest NOW accounts and will no longer be optional and insured by separately paid premiums.
- **ICBA Position:** ICBA advocated for a permanent extension and will continue to do so.
- **What's Next:** Changes to the program will take effect on Dec. 31, 2010. The program will be repealed on Jan. 1, 2013, unless it is extended.
- **What It Means for Community Banks:** *The TAG program helps to offset the advantage of too-big-to-fail banks in attracting business deposits.*

Higher Premiums for Banks with More Than \$10 Billion in Assets

- **Background:** The new law increases the minimum DIF reserve ratio from 1.15 percent of insured deposits (or the comparable percentage of the assessment base) to 1.35 percent and requires the FDIC to reach that target by Sept. 30, 2020. In setting premiums, the FDIC is to “offset the effect” of this requirement on banks with total consolidated assets of less than \$10 billion. This provision was added to offset the costs of the bill in compliance with House “pay-

go” rules. Though a larger DIF will offset expenses in the bill and also the deficit, no funds will be transferred from the DIF to fund other federal programs, as some have suggested. Because the FDIC is “on budget,” changes to FDIC deposit insurance impact the federal budget and have counted toward pay-go requirements in past legislation, including the Deficit Reduction Act.

- **ICBA Position:** ICBA opposed the change and advocated for an exemption covering all community banks.
- **What’s Next:** It is not clear how the FDIC will implement this action, so we will have to wait for further rulemaking.
- ***What It Means for Community Banks:*** *The exemption will spare nearly all of the community banking sector from the additional premiums needed to reach the higher reserve ratio by 2020.*