[6714-01-P]

**FEDERAL DEPOSIT INSURANCE CORPORATION**

**AGENCY: Federal Deposit Insurance Corporation (FDIC).**

**ACTION: Establishment of Federal Deposit Insurance Corporation Restoration Plan**

## Federal Deposit Insurance Corporation Restoration Plan

The recent failures of a large institution and other smaller ones have significantly increased the Deposit Insurance Fund's (the DIF or the fund) loss provisions, resulting in a decline in the reserve ratio. As of June 30, 2008, the reserve ratio stood at 1.01 percent, 18 basis points below the reserve ratio as of March 31, 2008. This is the lowest reserve ratio for a combined bank and thrift insurance fund since March 31, 1995. The FDIC expects a higher rate of insured institution failures in the next few years compared to recent years; thus, the reserve ratio may continue to decline. Because the fund reserve ratio has fallen below 1.15 percent and is expected to remain below 1.15 percent, the FDIC is required to establish and implement a restoration plan to restore the reserve ratio to 1.15 percent within five years.

In FDIC's view, to restore the reserve ratio to 1.15 percent within five years will require higher assessment rates. Since the current rates are already 3 basis points uniformly above the base rate schedule established in the 2006 assessments rule, a new rulemaking is required. The FDIC is concurrently publishing a notice of proposed rulemaking that would raise rates and make other changes to the assessment system.

Pursuant to section 7(b)(3)(E) (12 U.S.C. § 1817(b)(3)(E)), the FDIC establishes the following restoration plan on October 7, 2008.

1. The FDIC will have the accompanying NPR published in the Federal Register as soon as possible. Based upon the projections contained in the NPR, the assessment rates proposed in the NPR will return the Deposit Insurance Fund reserve ratio to at least 1.15 percent. Absent extraordinary circumstances, the reserve ratio must be returned to at least 1.15 percent no later than five years after establishment of the plan. To determine whether the reserve ratio has returned to the statutory range, the FDIC will rely on the December 31, 2013 reserve ratio, which is the first date after October 7, 2013 for which the reserve ratio will be known.

2. Before the FDIC adopts a final rule following the NPR, it will update its loss and income projections for the fund and, if needed to ensure that the fund reserve ratio

reaches 1.15 percent within the five-year period, will adopt higher assessment rates than those proposed in the NPR. If consistent with the fund reserve ratio reaching 1.15 percent within the five-year period, the FDIC may also adopt lower assessment rates.

3. At least semiannually thereafter, the FDIC will update its loss and income projections for the fund and, if needed to ensure that the fund reserve ratio reaches 1.15 percent within the five-year period, will increase assessment rates, following notice-and-comment rulemaking if required. If consistent with the fund reserve ratio reaching 1.15 percent within the five-year period, the FDIC may also lower assessment rates, again following notice-and-comment rulemaking if required.

4. Institutions may continue to use assessment credits 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.

5. This Restoration Plan shall be implemented immediately upon establishment by the FDIC.

By order of the Board of Directors.

Dated at Washington D.C., this 7th day of October, 2008.

FEDERAL DEPOSIT INSURANCE CORPORATION

Valerie Best
Assistant Executive Secretary

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