

Press Releases

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OTS 01-50 - OTS Director Seidman Urges Support For Broad-Based Deposit Insurance Reform

Office of Thrift Supervision

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OTS Director Seidman Urges Support For Broad-Based Deposit Insurance Reform

WASHINGTON - Office of Thrift Supervision Director Ellen Seidman told the House Financial Institutions subcommittee today that Congress should undertake a comprehensive reform of the nation's deposit insurance system, building on the work of the FDIC.

"It is important to resist the temptation to take a piecemeal approach," she testified. "The system's components are highly integrated. Reforms designed to address narrow, individual issues can have unintended consequences to other components and the system as a whole."

In her testimony, Ms. Seidman supported:

- merging the Savings Association Insurance Fund and the Bank Insurance Fund;
- reintroducing risk-based pricing for deposit insurance to all insured depository institutions;
- allowing the FDIC greater flexibility in setting fund targets and insurance premium levels to avoid both zero premiums and sudden steep hikes in premiums;
- allowing FDIC to rebate a portion of premiums when sustained good conditions result in lower than expected insurance losses;
- considering changing coverage levels, now set at a maximum of \$100,000, only in the context of comprehensive reform; and
- correcting the misallocation of insurance fund resources with respect to bank and thrift supervision.

With respect to the use of the insurance funds for supervision, Ms. Seidman noted that if deposit insurance is to be priced to cover the cost of insurance, "either bank supervision is an insurance function for all charters, in which case all supervisory costs--federal and state--should be paid from the insurance funds, or it is not." If it is not, she said, "the only costs of supervision that should be paid from the insurance fund are the often considerable costs that arise when there is a higher risk of failure. And in such cases, all supervisory costs, not only those of the FDIC, should be paid from the insurance funds." More than 40 percent of the FDIC budget--which comes from the insurance funds--is used to supervise state non-member banks, although Office of the Comptroller of the Currency- and OTS-supervised banks, which

pay separate assessments to cover the costs of supervision, have provided the bulk of the insurance funds through premiums and earnings on those premiums.

Attachment - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2001-50a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.