

Press Releases

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OTS 03-07 - Gilleran Urges Senate Action on Core Deposit Insurance Reform

Office of Thrift Supervision

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Contact: Sam Eskenazi

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Gilleran Urges Senate Action on Core Deposit Insurance Reform

WASHINGTON - Office of Thrift Supervision Director James E. Gilleran urged the Senate Banking Committee to approve a core federal deposit insurance reform bill that would merge the Bank Insurance Fund and the Savings Association Insurance Fund and give the Federal Deposit Insurance Corporation flexibility in setting deposit insurance premiums.

"The time is ripe for deposit insurance reform," Mr. Gilleran said in testimony delivered today. "Although the American deposit insurance system is the envy of countries and depositors all over the world, and has worked effectively to enhance financial stability and provide savers with confidence that their savings are secure, there are significant weaknesses that should be addressed."

Mr. Gilleran said that "Fund merger would strengthen our deposit insurance system by diversifying risks, reducing fund exposure to the largest institutions, eliminating possible inequities arising from premium disparities, and reducing regulatory burden." This action would moderate concentration risk and reduce pressure for higher premiums, he said.

Today, with many banks and thrifts holding deposits in both insurance funds, a merger of the funds would eliminate the need for these institutions to make complex calculations to estimate the growth rates of deposits insured by each fund, Mr. Gilleran said.

"Providing the FDIC with increased flexibility in setting fund targets and premiums is critical to improving the insurance premium pricing structure," he said. Under the current system, the FDIC generally levies no premiums on the large majority of institutions during good times, but when the system is under stress, the FDIC could be required to charge high premiums. "Increasing the FDIC's flexibility to set fund premiums within a target range would reduce insured institutions' exposure to overall economic conditions and to sector problems within the banking and thrift industries."

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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

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