

WASHINGTON - Congressman Spencer Bachus today announced an agreement in principle with the Senate on the first reforms of the FDIC in more than 20 years. He issued the following statement regarding the bill's merits:

“This agreement, which is based on H.R. 1185, is good for depositors and institutions as well as for the safety and soundness of the banking and credit union system. It provides a permanent system of inflation indexation to protect the value of insured accounts; immediately increases retirement account coverage to \$250,000; and provides indexation for all components, including individual and municipal accounts. Also, there are meaningful reforms that strengthen and protect the integrity of the fund while providing a fair and equitable premium system.”

Key provisions in the agreement include:

- Merger of the Bank Insurance Fund and the Savings Association Insurance Fund;
- Coverage of retirement accounts to increase immediately to \$250,000;
- Cumulative five-year inflation indexation in \$10,000 increments for all accounts beginning in 2010, including municipal and retirement accounts;
- Premium dividend of 50 percent of the excess premiums beginning when the net worth of the fund exceeds 1.35 percent of the value of insured deposits;
- Transitional credits to institutions in existence on December 31, 1996.

“This agreement provides for a substantial increase in the reserve ratio of the fund to historically high levels through a revised premium system. Under this new system, the institutions that paid steep assessments to build the fund to its current level will be given credits to offset the premiums necessary to increase the fund in the next few years.

“For the past five years, I have been working on meaningful

FDIC reform. The agreement we have reached is based upon recommendations sent to Congress from the FDIC in 2000.

“This timely agreement makes it possible for us to move forward with this legislation and enact it before year end.”

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