

TO MAKE PERMANENT THE TEMPORARY INCREASE IN  
DEPOSIT INSURANCE COVERAGE, AND FOR OTHER  
PURPOSES

---

FEBRUARY 23, 2009.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

---

Mr. FRANK of Massachusetts, from the Committee on Financial  
Services, submitted the following

R E P O R T

[To accompany H.R. 786]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 786) to make permanent the temporary increase in deposit insurance coverage, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

|   | Page |
|---|------|
| Amendment .....   | 2    |
| Purpose and Summary .....   | 3    |
| Background and Need for Legislation .....                               | 4    |
| Hearings .....  | 5    |
| Committee Consideration .....   | 5    |
| Committee Votes .....   | 5    |
| Committee Oversight Findings .....                                      | 6    |
| Performance Goals and Objectives .....                                  | 6    |
| New Budget Authority, Entitlement Authority, and Tax Expenditures ..... | 6    |
| Committee Cost Estimate .....   | 6    |
| Congressional Budget Office Estimate .....                              | 6    |
| Federal Mandates Statement .....  | 10   |
| Advisory Committee Statement .....                                      | 11   |
| Constitutional Authority Statement .....                                | 11   |
| Applicability to Legislative Branch .....                               | 11   |
| Earmark Identification .....  | 11   |
| Section-by-Section Analysis of the Legislation .....                    | 11   |
| Changes in Existing Law Made by the Bill, as Reported .....             | 12   |

## AMENDMENT

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. PERMANENT INCREASE IN DEPOSIT INSURANCE.**

(a) AMENDMENTS TO FEDERAL DEPOSIT INSURANCE ACT.—Effective upon the date of the enactment of this Act, section 11(a) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)) is amended—

- (1) in paragraph (1)(E), by striking “\$100,000” and inserting “\$250,000”;
- (2) in paragraph (1)(F)(i), by striking “2010” and inserting “2015”;
- (3) in subclause (I) of paragraph (1)(F)(i), by striking “\$100,000” and inserting “\$250,000”;
- (4) in subclause (II) of paragraph (1)(F)(i), by striking “the calendar year preceding the date this subparagraph takes effect under the Federal Deposit Insurance Reform Act of 2005” and inserting “calendar year 2008”; and
- (5) in paragraph (3)(A), by striking “, except that \$250,000 shall be substituted for \$100,000 wherever such term appears in such paragraph”.

(b) AMENDMENT TO FEDERAL CREDIT UNION ACT.—Section 207(k) of the Federal Credit Union Act (12 U.S.C. 1787(k)) is amended—

- (1) in paragraph (3)—
  - (A) by striking the opening quotation mark before “\$250,000”;
  - (B) by striking “, except that \$250,000 shall be substituted for \$100,000 wherever such term appears in such section”; and
  - (C) by striking the closing quotation mark after the closing parenthesis; and
- (2) in paragraph (5), by striking “\$100,000” and inserting “\$250,000”.

(c) RULE OF CONSTRUCTION.—No provision of law, other than a provision of the Federal Deposit Insurance Act (with respect to the Federal Deposit Insurance Corporation and insured depository institutions) or the Federal Credit Union Act (with respect to the National Credit Union Administration and insured credit unions), may be construed as limiting the authority of—

- (1) the Board of Directors of the Federal Deposit Insurance Corporation to set assessments under section 7(b)(2) of the Federal Deposit Insurance Act or to make any inflation adjustment under section 11(a)(1)(F) of such Act; or
- (2) the National Credit Union Administration Board to periodically adjust the amount of an insured credit union’s deposit under section 202(c)(1) of the Federal Credit Union Act, set the insurance premium charge under section 202(c)(2) of such Act, or to make any inflation adjustment pursuant to section 207(k)(5) of such Act.

**SEC. 2. EXTENSION OF RESTORATION PLAN PERIOD.**

Section 7(b)(3)(E)(ii) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(3)(E)(ii)) is amended by striking “5-year period” and inserting “8-year period”.

**SEC. 3. FDIC AND NCUA BORROWING AUTHORITY.**

(a) FDIC.—Section 14(a) of the Federal Deposit Insurance Act (12 U.S.C. 1824(a)) is amended by striking “\$30,000,000,000” and inserting “\$100,000,000,000”.

(b) NCUA.—Section 203(d)(1) of the Federal Credit Union Act (12 U.S.C. 1783(d)(1)) is amended by striking “\$100,000,000” and inserting “\$6,000,000,000”.

**SEC. 4. EXPANDING SYSTEMIC RISK SPECIAL ASSESSMENTS.**

Section 13(c)(4)(G)(ii) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)(4)(G)(ii)) is amended to read as follows:

“(ii) REPAYMENT OF LOSS.—

“(I) IN GENERAL.—The Corporation shall recover the loss to the Deposit Insurance Fund arising from any action taken or assistance provided with respect to an insured depository institution under clause (i) from 1 or more special assessments on insured depository institutions, depository institution holding companies (with the concurrence of the Secretary of the Treasury with respect to holding companies), or both, as the Corporation determines to be appropriate.

“(II) TREATMENT OF DEPOSITORY INSTITUTION HOLDING COMPANIES.—For purposes of this clause, sections 7(c)(2) and 18(h) shall apply to depository institution holding companies as if they were insured depository institutions.

“(III) REGULATIONS.—The Corporation shall prescribe such regulations as it deems necessary to implement this clause. In pre-

scribing such regulations, defining terms, and setting the appropriate assessment rate or rates, the Corporation shall establish rates sufficient to cover the losses incurred as a result of the actions of the Corporation under clause (i) and shall consider: the types of entities that benefit from any action taken or assistance provided under this subparagraph; economic conditions, the effects on the industry, and such other factors as the Corporation deems appropriate and relevant to the action taken or the assistance provided. Any funds so collected that exceed actual losses shall be placed in the Deposit Insurance Fund.”.

**SEC. 5. ESTABLISHMENT OF A NATIONAL CREDIT UNION SHARE INSURANCE FUND RESTORATION PLAN PERIOD.**

Section 202(c)(2) of the Federal Credit Union Act (12 U.S.C. 1782(c)(2)) is amended by adding at the end the following new subparagraph:

“(D) FUND RESTORATION PLANS.—

“(i) IN GENERAL.—Whenever—

“(I) the Board projects that the equity ratio of the Fund will, within 6 months of such determination, fall below the minimum amount specified in subparagraph (C) for the designated equity ratio; or

“(II) the equity ratio of the Fund actually falls below the minimum amount specified in subparagraph (C) for the equity ratio without any determination under sub-clause (I) having been made, the Board shall establish and implement a Share Insurance Fund restoration plan within 90 days that meets the requirements of clause (ii) and such other conditions as the Board determines to be appropriate.

“(ii) REQUIREMENTS OF RESTORATION PLAN.—A Share Insurance Fund restoration plan meets the requirements of this clause if the plan provides that the equity ratio of the Fund will meet or exceed the minimum amount specified in subparagraph (C) for the designated equity ratio before the end of the 5-year period beginning upon the implementation of the plan (or such longer period as the Board may determine to be necessary due to extraordinary circumstances).

“(iii) TRANSPARENCY.—Not more than 30 days after the Board establishes and implements a restoration plan under clause (i), the Board shall publish in the Federal Register a detailed analysis of the factors considered and the basis for the actions taken with regard to the plan.”.

**PURPOSE AND SUMMARY**

H.R. 786, a bill to make permanent the temporary increase in deposit insurance coverage, is intended to improve liquidity at insured depository institutions and credit unions and to maintain a robust and flexible deposit insurance system.

H.R. 786 would make permanent the temporary increase in deposit insurance coverage for both the Federal Deposit Insurance Corporation (FDIC) Deposit Insurance Fund and the National Credit Union Administration (NCUA) Share Insurance Fund to \$250,000 (the temporary increase is currently scheduled to sunset on December 31, 2009); extend the time limit for an FDIC restoration plan to rebuild the reserve ratio of the Deposit Insurance Fund from 5 years to 8 years; increase the FDIC’s borrowing authority from the Treasury Department from \$30 billion to \$100 billion and the Share Insurance Fund’s borrowing authority from \$100 million to \$6 billion; clarify the FDIC’s ability to charge systemic risk special assessments; and establish a five-year restoration plan period for the NCUA, which is currently required to restore the equity ratio of the Share Insurance Fund within one year.

## BACKGROUND AND NEED FOR LEGISLATION

In an effort to address what has been described as potentially the worst economic crisis since the Great Depression, Congress in October 2008 enacted the Emergency Economic Stabilization Act (EESA) (Public Law 110-343). While EESA focused mainly on providing the Secretary of Treasury with authority and facilities to restore liquidity and stability to the financial system of the United States, EESA also provided a temporary increase in the deposit insurance coverage for FDIC-insured banks as well as credit unions from \$100,000 to \$250,000. Currently under EESA, this temporary increase would expire on December 31, 2009, and revert to \$100,000. H.R. 786 would, among other measures, make permanent this increase and maintain deposit insurance coverage at \$250,000.

Deposit insurance plays a crucial role in maintaining the stability of the financial system by ensuring the security of deposits, the critical source of funding available to financial institutions to fuel lending to consumers and businesses and generate economic activity and growth. Making permanent the temporary increase in deposit insurance coverage would offer reassurance to consumers that their deposits will remain safe and bolster consumer confidence in the financial system. It would also address a concern expressed by some consumers who have purchased long-term certificates of deposit based in part on the higher coverage that their deposits would no longer be insured once the temporary increase expires. Overall, consumers would be encouraged to keep their money in financial institutions, providing much needed liquidity to promote lending and unlock the credit markets.

To backstop the deposit insurance system, existing laws provide the FDIC and the NCUA with borrowing authority from the Treasury Department. In its testimony at a February 3, 2009 hearing before the Committee on Financial Services, the FDIC stated that assets in the banking system have tripled since 1991 when the borrowing authority was last increased, and that it would be appropriate to make a proportional adjustment to the borrowing authority. The NCUA subsequently made a similar request that its borrowing authority, unchanged since 1971, be increased proportionate to asset size in the credit union system. H.R. 786 would increase the borrowing authority of the FDIC and the NCUA to further strengthen the deposit insurance guarantee and the public's confidence in it.

In October 2008, the FDIC for the first time exercised its authority to take action in circumstances involving systemic risk to the banking industry and established the Temporary Liquidity Guarantee Program to, among other purposes, guarantee the debt of banks and their holding companies. The FDIC is authorized under existing law to recoup the costs incurred in its exercise of the systemic risk authority from banks, but not their holding companies. In its testimony at the February 3 hearing, the FDIC recommended amending current law to allow recoupment from holding companies as well as banks since holding companies also have benefited from the FDIC's actions under the systemic risk authority. H.R. 786 would allow the FDIC to charge special assessments on banks and, with the concurrence of the Secretary of Treasury, their holding

companies, to cover the costs of actions taken under the systemic risk authority.

When the reserve ratio of the Deposit Insurance Fund falls below a specified minimum level, current law requires the FDIC to establish a restoration plan to meet or exceed the minimum ratio within five years. Because permanently increasing the level of deposit insurance coverage would have the effect of reducing the reserve ratio, the FDIC in its February 3 testimony stated that it would be appropriate to extend the time period for restoring the Deposit Insurance Fund. H.R. 786 accordingly would extend the FDIC's restoration plan period from the current five years to eight years. H.R. 786 also establishes a similar five-year restoration plan period for the NCUA, which is currently required to restore the equity ratio of the Share Insurance Fund within one year.

#### HEARINGS

The Committee on Financial Services held a hearing on February 3, 2009, entitled "Promoting Liquidity and Lending Through Deposit Insurance, Hope for Homeowners, and Other Enhancements." The following witnesses testified: Mr. John Bovenzi, Chief Operating Officer, Federal Deposit Insurance Corporation; Ms. Meg Burns, Director of the Office of Single Family Program Development, U.S. Department of Housing and Urban Development; Mr. Edward L. Yingling, President and Chief Executive Officer, American Bankers Association; Mr. R. Michael S. Menzies, Sr., President and Chief Executive Officer, Easton Bank and Trust Company, on behalf of The Independent Community Bankers of America; Mr. John Taylor, President and Chief Executive, National Community Reinvestment Coalition; Mr. John A. Courson, President and Chief Executive Officer, Mortgage Bankers Association; Mr. Mike Calhoun, President and Chief Operating Officer, Center for Responsible Lending; Mrs. Robin Staudt; and Mr. Edward R. Morrison, Professor of Law, Columbia Law School.

#### COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 4, 2009, and ordered H.R. 786, to make permanent the temporary increase in deposit insurance coverage, as amended, favorably reported to the House by a voice vote.

#### COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto. No record votes were taken with in conjunction with the consideration of this legislation. A motion by Mr. Frank to report the bill, as amended, to the House with a favorable recommendation was agreed to by a voice vote.

During the consideration of the bill, the following amendments were considered:

An amendment Mr. Kanjorski, No. 1, establishing a Share Insurance Fund restoration period, was agreed to by a voice vote.

An amendment by Mr. Gutierrez, No. 2, increasing NCUA borrowing authority, was agreed to by a voice vote.

An amendment by Mr. Frank, No. 3, striking additional FDIC borrowing authority, was agreed to by a voice vote.

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee held a hearing and made findings that are reflected in this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee establishes the following performance related goals and objectives for this legislation:

H.R. 786, a bill to make permanent the temporary increase in deposit insurance coverage, is intended to improve liquidity at insured depository institutions and credit unions and to maintain a robust and flexible deposit insurance system.

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

COMMITTEE COST ESTIMATE

The Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

FEBRUARY 23, 2009.

Hon. BARNEY FRANK,  
*Chairman, Committee on Financial Services,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 786, a bill to make permanent the temporary increase in deposit insurance coverage, and for other purposes.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathleen Gramp.

Sincerely,

DOUGLAS W. ELMENDORF.

Enclosure.

*H.R. 786—A bill to make permanent the temporary increase in deposit insurance coverage, and for other purposes*

Summary: H.R. 786 would permanently increase the amount of deposits insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) from \$100,000 to \$250,000 and modify other terms of both deposit insurance programs. It would allow those agencies to replenish the insurance funds over a longer period of time and increase the amounts each agency can borrow from the Department of the Treasury.

The legislation's affect on direct spending and revenues over the 2009–2013 and 2009–2018 periods are relevant for enforcing pay-as-you-go rules under the current budget resolution. CBO estimates that enacting this legislation would increase deficits by \$14.0 billion over the five-year period from 2009 through 2013, but would reduce deficits by \$14.3 billion over the 2009–2018 period. (In total, CBO estimates that the legislation would reduce deficits by \$14.9 billion through 2019.) Implementing H.R. 786 would not affect revenues or spending subject to appropriation.

H.R. 786 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

H.R. 786 contains private-sector mandates, as defined in UMRA, on depository institutions and certain bank holding companies. The bill would impose a mandate by requiring certain depository institutions to pay higher insurance premiums as a result of the permanent increase in deposit insurance coverage. In addition, the bill would authorize the FDIC to make assessments on holding companies for depository institutions when necessary to replenish the insurance fund. CBO expects that the direct cost of the mandates would well exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

Estimated cost to the Federal Government: The estimated impact of enacting H.R. 786 is shown in the following table. The budgetary effects of this legislation fall within budget function 370 (commerce and housing credit).

|                                   | By fiscal year, in billions of dollars— |      |      |      |      |      |      |      |      |      |      |               |               |
|-----------------------------------|---|------|------|------|------|------|------|------|------|------|------|---------------|---------------|
|                                   | 2009                                    | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2009–<br>2014 | 2009–<br>2019 |
| <b>CHANGES IN DIRECT SPENDING</b> |   |      |      |      |      |      |      |      |      |      |      |               |               |
| Estimated Budget Authority .....  | 0                                       | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0    | 0             | 0             |
| Estimated Outlays .....           | 0                                       | 2.3  | 5.2  | 4.5  | 2.0  | -6.4 | -9.0 | -6.8 | -6.1 | *    | -0.6 | 7.6           | -14.9         |

Note: \*—between —\$50 million and zero.

Basis of Estimate: H.R. 786 would increase the amount of federal deposit insurance coverage and make other changes to the FDIC's and NCUA's programs. Assuming enactment by the end of fiscal year 2009, CBO estimates that enacting this bill would increase direct spending by \$7.6 billion over the 2009–2014 period but reduce net direct spending by \$14.9 billion over the 2009–2019 period. Specifically, the bill would:

- Permanently increase the amount of deposits insured by the FDIC and NCUA from \$100,000 to \$250,000 (the Emergency Economic Stabilization Act of 2008 raised the limit to \$250,000 through December 31, 2009);
- Adjust the limit on insured deposits for inflation beginning in 2015 instead of 2010;
- Allow both agencies to replenish the insurance funds over longer periods of time, extending the restoration period for the FDIC's Deposit Insurance Fund (DIF) from five years to eight years and for NCUA's Share Insurance Fund (SIF) from one year to five years;
- Modify how the FDIC recovers costs resulting from actions taken to reduce systemic risks; and
- Increase the amounts the agencies can borrow from the Treasury, raising the FDIC's limit from \$30 billion to \$100 billion and the NCUA's limit from \$100 million to \$6 billion.

Raising the limit on insured deposits would increase the FDIC's and NCUA's liabilities for failed institutions, but the cost of any additional losses would be offset over time by higher insurance premiums. In addition, depository institutions would pay higher premiums to cover the newly insured deposits. CBO expects that this change, coupled with provisions giving the agencies more time to restore depleted fund balances, would increase their net outlays over the 2009–2013 period because of higher losses and lower collections but would significantly reduce outlays by the end of the 2009–2019 period because of the additional premiums paid to offset losses and to cover new deposits.

CBO estimates that raising the coverage limit would increase outlays for failed institutions by an estimated \$5.7 billion over the next five years, and extending the recovery period for the DIF and SIF would lower net premiums by about \$1.9 billion. Those costs would be offset in subsequent years, however, assuming the agencies would charge premiums sufficient to restore the DIF and the SIF to the levels currently specified in agency regulations (1.25 percent and 1.2 percent, respectively) within the respective restoration periods specified in the bill. Based on information from the FDIC and NCUA, CBO estimates that raising deposit insurance coverage from \$100,000 to \$250,000 would increase insured deposits by 15 percent and 10 percent, respectively. Applying those increases to CBO's January baseline projections for deposit growth, we estimate that enacting this legislation would increase deposits insured by the FDIC by about \$1.1 trillion by 2019 and by the NCUA by almost \$100 billion. Thus, CBO estimates that enacting this bill would reduce net outlays by about \$14.9 billion over the 2009–2019 period.

Finally, increasing the agencies' borrowing limits should result no net cost to the government over time but could affect their annual cash flows. For example, raising the borrowing limit could in-

crease the likelihood of agency actions aimed at easing the financial pressures facing insured institutions, such as maintaining the balances in the DIF and SIF at the lower end of the allowable ranges or providing different forms of systemic assistance to financial institutions. The net budgetary impact of increasing borrowing limits over the next 10 years would largely depend on whether the FDIC and NCUA would recoup any borrowing-related expenses by 2019. Assuming the agencies restore the insurance funds to the levels designated in their current regulations by 2019, CBO estimates that providing the additional borrowing authority would have no significant net effect on direct spending in 2009 or in aggregate over the next 10 years.

Estimated impact on state, local, and tribal governments: H.R. 786 contains no intergovernmental mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

Estimated impact on the private sector: H.R. 786 contains private-sector mandates, as defined in UMRA, on depository institutions and certain bank holding companies. By making permanent the increase in deposit insurance coverage, the bill would cause depository institutions to pay higher premiums. Most depository institutions (commercial banks, savings associations, and most credit unions) are required by law to have federal deposit insurance. CBO, therefore, considers changes in the federal deposit insurance system that increase requirements imposed on those institutions to be private-sector mandates. In addition, the bill would expand the requirement for depository institutions to pay special assessments to include bank holding companies.

The cost of the mandates would be the net increase in premiums. CBO estimates that the net increase in premiums for depository institutions would amount to more than \$6 billion in 2014 and thus would well exceed the annual threshold established in UMRA for private-sector mandates (\$139 million in 2009, adjusted annually for inflation).

Previous CBO estimate: On January 13, 2009, CBO transmitted a cost estimate for H.R. 384, the TARP Reform and Accountability Act, as introduced on January 9, 2009, which included provisions similar to those in H.R. 786. Differences between this estimate and the estimate for title VII of H.R. 384 reflect changes in the financial condition of the NCUA's Share Insurance Fund since January and the effect of provisions in H.R. 786 extending the time period for restoring the NCUA's fund to statutorily designated levels.

Estimate prepared by: Federal Costs: Kathleen Gramp; Impact on State, Local, and Tribal Governments: Elizabeth Cove Delisle; Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: Peter H. Fontaine, Assistant Director for Budget Analysis.

#### FEDERAL MANDATES STATEMENT

The Committee adopts as its own the estimate of Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

## ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

## CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds that the Constitutional Authority of Congress to enact this legislation is provided by Article 1, section 8, clause 1 (relating to the general welfare of the United States) and clause 3 (relating to the power to regulate interstate commerce).

## APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

## EARMARK IDENTIFICATION

H.R. 786 does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9 of rule XXI.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Section 1. Permanent increase in deposit insurance*

This section increases the deposit insurance limit from \$100,000 to \$250,000 for both the Deposit Insurance Fund of the FDIC and the Share Insurance Fund of the NCUA, provides for inflation adjustment starting in 2015, and adds a rule of construction clarifying the authority to set assessments.

*Section 2. Extension of restoration period*

This section extends the time limit for an FDIC restoration plan to rebuild the reserve ratio of the Deposit Insurance Fund from 5 years to 8 years.

*Section 3. FDIC and NCUA borrowing authority*

This section increases the FDIC's borrowing authority from the Treasury Department from \$30 billion to \$100 billion and the Share Insurance Fund's borrowing authority from the Treasury Department from \$100 million to \$6 billion.

*Section 4. Expanding systemic risk special assessments*

This section allows the FDIC to charge systemic risk special assessments by rulemaking, on both insured depository institutions and depository institution holding companies. For holding company assessments, the concurrence of the Secretary of the Treasury would be required.

*Section 5. Establishment of a national credit union share insurance fund restoration plan period*

This section requires the NCUA to establish a restoration plan to rebuild the Share Insurance Fund within 5 years (or longer as the NCUA may determine to be necessary due to extraordinary circumstances) if the equity ratio falls below certain minimum amount, and to publish a detailed analysis of the factors considered and the basis for the actions taken with regard to the restoration plan.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**FEDERAL DEPOSIT INSURANCE ACT**

\* \* \* \* \*

SEC. 7. (a) \* \* \*

(b) ASSESSMENTS.—

(1) \* \* \*

\* \* \* \* \*

(3) DESIGNATED RESERVE RATIO.—

(A) \* \* \*

\* \* \* \* \*

(E) DIF RESTORATION PLANS.—

(i) \* \* \*

(ii) REQUIREMENTS OF RESTORATION PLAN.—A Deposit Insurance Fund restoration plan meets the requirements of this clause if the plan provides that the reserve ratio of the Fund will meet or exceed the minimum amount specified in subparagraph (B)(ii) for the designated reserve ratio before the end of the **5-year period** *8-year period* beginning upon the implementation of the plan (or such longer period as the Corporation may determine to be necessary due to extraordinary circumstances).

\* \* \* \* \*

SEC. 11. (a) DEPOSIT INSURANCE.—

(1) INSURED AMOUNTS PAYABLE.—

(A) \* \* \*

\* \* \* \* \*

(E) STANDARD MAXIMUM DEPOSIT INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term “standard maximum deposit insurance amount” means **100,000** *250,000*, adjusted as provided under subparagraph (F) after March 31, 2010.

(F) INFLATION ADJUSTMENT.—

(i) IN GENERAL.—By April 1 of **2010** *2015*, and the 1st day of each subsequent 5-year period, the Board of Directors and the National Credit Union Administra-

tion Board shall jointly consider the factors set forth under clause (v), and, upon determining that an inflation adjustment is appropriate, shall jointly prescribe the amount by which the standard maximum deposit insurance amount and the standard maximum share insurance amount (as defined in section 207(k) of the Federal Credit Union Act) applicable to any depositor at an insured depository institution shall be increased by calculating the product of—

(I) ~~【\$100,000】~~ *\$250,000*; and

(II) the ratio of the published annual value of the Personal Consumption Expenditures Chain-Type Price Index (or any successor index thereto), published by the Department of Commerce, for the calendar year preceding the year in which the adjustment is calculated under this clause, to the published annual value of such index for ~~【the calendar year preceding the date this subparagraph takes effect under the Federal Deposit Insurance Reform Act of 2005】~~ *calendar year 2008*.

\* \* \* \* \*

(3) CERTAIN RETIREMENT ACCOUNTS.—

(A) IN GENERAL.—Notwithstanding any limitation in this Act relating to the amount of deposit insurance available for the account of any 1 depositor, deposits in an insured depository institution made in connection with—

(i) \* \* \*

\* \* \* \* \*

shall be aggregated and insured in an amount not to exceed \$250,000 (which amount shall be subject to inflation adjustments as provided in paragraph (1)(F)~~【, except that \$250,000 shall be substituted for \$100,000 wherever such term appears in such paragraph】~~) per participant per insured depository institution.

\* \* \* \* \*

SEC. 13. (a) \* \* \*

\* \* \* \* \*

(c)(1) \* \* \*

\* \* \* \* \*

(4) LEAST-COST RESOLUTION REQUIRED.—

(A) \* \* \*

\* \* \* \* \*

(G) SYSTEMIC RISK.—

(i) \* \* \*

~~【(ii) REPAYMENT OF LOSS.—The Corporation shall recover the loss to the Deposit Insurance Fund arising from any action taken or assistance provided with respect to an insured depository institution under clause (i) expeditiously from 1 or more emergency special assessments on insured depository institutions equal to the product of—~~

【(I) an assessment rate established by the Corporation; and

【(II) the amount of each insured depository institution's average total assets during the assessment period, minus the sum of the amount of the institution's average total tangible equity and the amount of the institution's average total subordinated debt.】

(ii) *REPAYMENT OF LOSS.*—

(I) *IN GENERAL.*—*The Corporation shall recover the loss to the Deposit Insurance Fund arising from any action taken or assistance provided with respect to an insured depository institution under clause (i) from 1 or more special assessments on insured depository institutions, depository institution holding companies (with the concurrence of the Secretary of the Treasury with respect to holding companies), or both, as the Corporation determines to be appropriate.*

(II) *TREATMENT OF DEPOSITORY INSTITUTION HOLDING COMPANIES.*—*For purposes of this clause, sections 7(c)(2) and 18(h) shall apply to depository institution holding companies as if they were insured depository institutions.*

(III) *REGULATIONS.*—*The Corporation shall prescribe such regulations as it deems necessary to implement this clause. In prescribing such regulations, defining terms, and setting the appropriate assessment rate or rates, the Corporation shall establish rates sufficient to cover the losses incurred as a result of the actions of the Corporation under clause (i) and shall consider: the types of entities that benefit from any action taken or assistance provided under this subparagraph; economic conditions, the effects on the industry, and such other factors as the Corporation deems appropriate and relevant to the action taken or the assistance provided. Any funds so collected that exceed actual losses shall be placed in the Deposit Insurance Fund.*

\* \* \* \* \*

#### **SEC. 14. BORROWING AUTHORITY.**

(a) *BORROWING FROM TREASURY.*—*The Corporation is authorized to borrow from the Treasury, and the Secretary of the Treasury is authorized and directed to loan to the Corporation on such terms as may be fixed by the Corporation and the Secretary, such funds as in the judgment of the Board of Directors of the Corporation are from time to time required for insurance purposes, not exceeding in the aggregate 【\$30,000,000,000】 \$100,000,000,000 outstanding at any one time, subject to the approval of the Secretary of the Treasury: *Provided*, That the rate of interest to be charged in connection with any loan made pursuant to this subsection shall not be less than an amount determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities. For such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued*

under the Second Liberty Bond Act, as amended, are extended to include such loans. Any such loan shall be used by the Corporation solely in carrying out its functions with respect to such insurance. All loans and repayments under this subsection shall be treated as public-debt transactions of the United States. The Corporation may employ any funds obtained under this section for purposes of the Deposit Insurance Fund and the borrowing shall become a liability of the Deposit Insurance Fund to the extent funds are employed therefor. There are hereby appropriated to the Secretary, for fiscal year 1989 and each fiscal year thereafter, such sums as may be necessary to carry out this subsection.

\* \* \* \* \*

**FEDERAL CREDIT UNION ACT**

\* \* \* \* \*

**TITLE II—SHARE INSURANCE**

\* \* \* \* \*

**REPORTS OF CONDITION; CERTIFIED STATEMENTS; PREMIUMS FOR INSURANCE**

SEC. 202. (a) \* \* \*

\* \* \* \* \*

(c)(1) \* \* \*

(2) INSURANCE PREMIUM CHARGES.—

(A) \* \* \*

\* \* \* \* \*

(D) FUND RESTORATION PLANS.—

(i) IN GENERAL.—Whenever—

(I) the Board projects that the equity ratio of the Fund will, within 6 months of such determination, fall below the minimum amount specified in subparagraph (C) for the designated equity ratio; or

(II) the equity ratio of the Fund actually falls below the minimum amount specified in subparagraph (C) for the equity ratio without any determination under sub-clause (I) having been made, the Board shall establish and implement a Share Insurance Fund restoration plan within 90 days that meets the requirements of clause (ii) and such other conditions as the Board determines to be appropriate.

(ii) REQUIREMENTS OF RESTORATION PLAN.—A Share Insurance Fund restoration plan meets the requirements of this clause if the plan provides that the equity ratio of the Fund will meet or exceed the minimum amount specified in subparagraph (C) for the designated equity ratio before the end of the 5-year period beginning upon the implementation of the plan (or such longer period as the Board may determine to be necessary due to extraordinary circumstances).

(iii) TRANSPARENCY.—Not more than 30 days after the Board establishes and implements a restoration plan under

*clause (i), the Board shall publish in the Federal Register a detailed analysis of the factors considered and the basis for the actions taken with regard to the plan.*

\* \* \* \* \*

NATIONAL CREDIT UNION SHARE INSURANCE FUND

SEC. 203. (a) \* \* \*

\* \* \* \* \*

(d)(1) If, in the judgment of the Board, a loan to the fund is required at any time for carrying out the purposes of this title, the Secretary of the Treasury shall make the loan, but loans under this paragraph shall not exceed in the aggregate **[\$100,000,000]** *\$6,000,000,000* outstanding at any one time. Except as otherwise provided in this subsection and in subsection (e) of this section, each loan under this paragraph shall be made on such terms as may be fixed by agreement between the Board and the Secretary of the Treasury.

\* \* \* \* \*

PAYMENT OF INSURANCE

SEC. 207. (a) \* \* \*

\* \* \* \* \*

(k) INSURED AMOUNTS PAYABLE.—

(1) \* \* \*

\* \* \* \* \*

(3) Notwithstanding any limitation in this title or in any other provision of law relating to the amount of insurance available for the account of any one depositor or member, funds invested in a credit union insured in accordance with this title pursuant to a pension or profit-sharing plan described in section 401(d) of the Internal Revenue Code of 1954, as amended, and funds invested in such an insured credit union in the form of individual retirement accounts as described in section 408(a) of the Internal Revenue Code of 1954, as amended, shall be insured in the amount of **["\$250,000** (which amount shall be subject to inflation adjustments as provided under section 11(a)(1)(F) of the Federal Deposit Insurance Act~~],~~ except that \$250,000 shall be substituted for \$100,000 wherever such term appears in such section~~)]["~~] per account. As to any plan qualifying under section 401(d) or section 408(a) of the Internal Revenue Code of 1954, the term “per account” means the present vested and ascertainable interest of each beneficiary under the plan, excluding any remainder interest created by, or as a result of, the plan.

\* \* \* \* \*

(5) STANDARD MAXIMUM SHARE INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term “standard maximum share insurance amount” means **[\$100,000]** *\$250,000*, adjusted

as provided under section 11(a)(1)(F) of the Federal Deposit Insurance Act.

\* \* \* \* \*

○