

## Deposit Insurance Reform Act of 2005

- Merges the Bank Insurance Fund with the Savings Association Insurance Fund to create the “Deposit Insurance Fund” or DIF.
- Leaves the general limit at \$100,000 but provides for an inflation adjustment process (in 5 year intervals starting with the first adjustment in 2010) based on the Personal Consumption Expenditures Index and rounded down to the nearest \$10,000 increment. FDIC and NCUA are to take into consideration economic conditions and potential problems with banks/credit unions and whether the increase would reduce the reserve ratio below 1.15% before making any adjustment. (NCUISF to provide the same insurance limits and indexing)
- Retirement Accounts are covered up to \$250,000 and have same indexing process described above.
- No additional coverage for Municipal Accounts.
- Allows for pass through insurance for certain employee benefit plans but prohibits undercapitalized banks from accepting those deposits.
- Allows the FDIC Board of Directors to set the assessment rate for deposit insurance based on several factors, including risk. The Board can not bar an institution from the lowest risk category solely because of the institution’s size.
- Allows for a floating designated reserve ratio (DRR) between 1.15 and 1.5%. When the DRR reaches 1.35% the FDIC is required to declare 50% of the excess above 1.35% as cash dividends awarded to insured institutions based upon an historical basis. When the DRR reaches 1.5% all of the excess must be awarded as cash dividends awarded on an historical basis. When the fund falls below 1.15% the FDIC must raise premiums to restore this level within 5 years.
- The historical basis will be determined by its assessment base relative to the total combined BIF-SAIF assessment base at the end of 1996 plus any future premiums paid.
- Authorizes a one-time credit pool (of \$4.7 billion dollars) against future assessments for institutions (and their successors) that have contributed to the fund in the past. Some limitations apply to how the institutions can use these premiums.
- Requires several studies including the feasibility of a voluntary deposit insurance system for excess deposits over the insured maximum, increasing insurance limits on municipal deposits, a study on prompt corrective action and FDIC organizational structure and a study on Basel II and capital requirements.