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M E M O R A N D U M

May 9, 2005

To Our Clients and Friends

Re: House Passes Deposit Insurance Reform Legislation

The U.S. House of Representatives has passed the Federal Deposit Insurance Reform Act of 2005 (H.R. 1185). The bill:

- Increases federal deposit insurance to \$130,000
- Adjusts deposit insurance in 2008 and every five years thereafter based upon increases in consumer prices
- Doubles deposit insurance for certain retirement accounts
- Increases deposit insurance for municipal deposits
- Merges the Bank Insurance Fund and the Savings Association Insurance Fund
- Provides greater flexibility to the FDIC in setting deposit insurance premium assessment rates
- Establishes a deposit insurance premium assessment base rate of no more than 1 basis point for institutions in the lowest-risk category
- Provides a discount on deposit insurance premiums for banks that make lifeline bank accounts available to low income depositors
- Establishes a reserve ratio for the deposit insurance fund of between 1.15 % and 1.4%, as determined by the FDIC
- Requires the FDIC to conduct a study every two years on efforts by depository institutions to bring the unbanked into the conventional banking system
- Requires the FDIC and National Credit Union Administration to study the feasibility of privatizing the deposit insurance system

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It is uncertain if and when the Senate will consider deposit insurance legislation.

A copy of the legislation can be found on our web site at http://www.schwartzandballen.com/whats_new.html.

If you have any questions, please call Gilbert Schwartz, Robert Ballen or Tom Fox at (202) 776-0700.