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M E M O R A N D U M

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To Our Clients and Friends

Re: FDIC Federal Deposit Insurance Proposals

The Federal Deposit Insurance Corporation (“FDIC”) has requested public comment on two proposed rules concerning deposit insurance assessments under the Federal Deposit Insurance Reform Act of 2005. Comments are due 60 days after publication in the *Federal Register*.

The first proposed rule establishes a new risk-based deposit insurance assessment system that would more closely tie what insured banks and savings institutions pay for deposit insurance to the risks they pose to the deposit insurance fund. The proposal would replace the nine risk categories that are currently in effect with four risk categories. However, there would be separate risk differentiations for small and large (over \$10 billion in assets) institutions. The proposal creates an annual base assessment rate schedule ranging from 2 to 40 basis points, depending upon an institution’s risk category. The FDIC proposes to retain flexibility to adjust the rates uniformly up to a maximum of five basis points higher or lower than the base rates without the need for soliciting public comment. The FDIC believes that the proposal would make the assessment system more sensitive to risk.

Under the second proposal, the FDIC would set the designated reserve ratio (“DRR”) for the deposit insurance fund at 1.25 percent of estimated insured deposits, which is the DRR currently in effect. The FDIC would maintain the DRR at 1.25 percent based upon an analysis of factors such as risk of losses to the fund, economic conditions and prevention of sharp swings in assessment rates.

The FDIC’s proposals can be found on our website at http://www.schwartzandballen.com/whats_new.html

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