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## Regulatory Update

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### FDIC FINALIZES THE EMERGENCY SPECIAL ASSESSMENT

On Friday afternoon, the **FDIC Board gave final approval to the emergency special deposit insurance assessment first proposed near the end of February. The FDIC Board approved the special assessment at five basis points. This is great news compared to the original proposal of 20 basis points.** The five basis points will be in addition to the regular quarterly insurance assessment. It is our understanding banks will be required to book the special assessment as a second quarter expense, although it is not payable until September 30, 2009. The FDIC Board also authorized two additional special assessments, if needed, without further Board approval. FDIC Chairwoman Bair indicated during the discussions on the special assessment that an additional special assessment “is probable” before year end, but it is not possible to determine the amount needed at this time.

**In addition, the FDIC shifted the assessment base from domestic deposits to assets less Tier One Capital.** Community banks on average fund 80% to 90% of their balance sheets with domestic deposits, while the largest institutions fund substantial portions of their balance sheets with other types of funding. Therefore, **such a shift in the assessment base generally results in community banks paying less and the largest banks paying more of the special assessment total.** However, it should be noted that a community bank that has funded a substantial portion of their balance sheet with Federal Home Loan Bank advances could pay more as a result of the shift in the assessment base.

Chairwoman Bair had pledged to cut the assessment by at least 50% (i.e. to 10 basis points), if Congress would increase the FDIC’s authority to borrow from the Treasury from the current \$30 billion up to \$100 billion. Last Wednesday, President Obama signed into law Senate Bill 896 passed by the House of Representatives earlier in the week in the exact form it came out of the Senate. This bill increased the FDIC’s Treasury borrowing authority to \$100 billion, with emergency authority to borrow up to \$500 billion. Senate Bill 896 also extended the increased deposit insurance coverage of \$250,000 until year end 2013 and allowed FDIC eight years instead of five to replenish the Deposit Insurance Fund. Community banks should benefit from both of these measures, as well.

While there were likely many other factors considered by the FDIC Board members, the shift in the assessment base is likely most responsible for the further reduction in the assessment from ten to five basis points. **The shift in the assessment base is something the CBA of Georgia recommended in its comment letter to the FDIC on the emergency special assessment and Independent Community Bankers of America was the only national bank trade association which advocated such a shift.**

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