SEC. 425. TECHNICAL CORRECTION RESPECTING SELF-EMPLOYMENT INCOME IN COMMUNITY PROPERTY STATES.

(a) SOCIAL SECURITY ACT AMENDMENT.—Section 211(a)(5)(A) of the Social Security Act (42 U.S.C. 411(a)(5)(A)) is amended by striking ''all of the gross income'' and all that follows and inserting ''the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the spouse carrying on such trade or business or, if such trade or business is jointly operated, treated as the gross income and deductions of each spouse on the basis of their respective distributive share of the gross income and deductions;''.

(b) INTERNAL REVENUE CODE OF 1986 AMENDMENT.—Section 1402(a)(5)(A) of the Internal Revenue Code of 1986 is amended by striking ''all of the gross income'' and all that follows and inserting ''the gross income and deductions attributable to such trade or business shall be treated as the gross income and deductions of the spouse carrying on such trade or business or, if such trade or business is jointly operated, treated as the gross income and deductions of each spouse on the basis of their respective distributive share of the gross income and deductions; and''.

Mr. FROST. Mr. Speaker, I yield back the balance of my time.

Mr. LINDER. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. FROST. Mr. Speaker, on that, I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8(a)(2)(f) of rule XX, further proceedings on this question will be postponed.

GENERAL LEAVE

Mr. BACHUS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and insert extraneous materials on the bill H.R. 522, the Federal Deposit Insurance Reform Act of 2003.

The SPEAKER pro tempore (Mr. LINDER). Is there objection to the request of the gentleman from Alabama?

There was no objection.

FEDERAL DEPOSIT INSURANCE REFORM ACT OF 2003

The SPEAKER pro tempore (Mr. LINDER). Pursuant to the order of the House of Tuesday, April 1, 2003 and rule XVIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the consideration of the bill, H.R. 522.

□ 1039

IN THE COMMITTEE OF THE WHOLE

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 522) to reform the Federal deposit insurance system, and for other purposes, with Mr. LAHOOD in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the order of the House of Tuesday, April 1, 2003, the bill is considered as having been read the first time.

Under the rule, the gentleman from Alabama (Mr. BACHUS) and the gentleman from Massachusetts (Mr. FRANK) each will control 30 minutes.

The Chair recognizes the gentleman from Alabama (Mr. BACHUS).

Mr. BACHUS. Mr. Chairman, I yield myself 7 minutes.

Mr. Chairman, I rise in support of H.R. 522, the Federal Deposit Insurance Reform Act of 2003. I want to begin by thanking the gentleman from Ohio (Mr. OXLEY), the chairman of the committee, for his tremendous leadership in steering what is a complex bill through the legislative process. I also want to thank the ranking member of the committee, the gentleman from Massachusetts (Mr. FRANK), for his support of this important piece of legislation. The committee and the Congress in its votes on this legislation in the past, legislation very similar, has shown that it can work together in a very bipartisan manner.

Deposit insurance reform has been thoroughly discussed and debated over the past several years. During the 107th Congress, I introduced comprehensive deposit insurance reform, H.R. 3717. The legislation was a by-product of recommendations by the FDIC in early 2001, industry representatives coming together urging that we take action. The American Banking Association, The Credit Union National Association, Independent Bankers and Financial Services Roundtable, all urging the Federal Reserve, the administration, urging us to take action to reform Federal deposit insurance. We did take action, and the 107th Congress passed H.R. 3717 by a vote of 408 to 18.

Unfortunately, that bill died in the other body.

Earlier this year, I introduced the same legislation. This time it is H.R. 522, the Deposit Insurance Reform Act of 2003. The gentleman from Ohio (Mr. OXLEY) and the gentleman from Massachusetts (Mr. FRANK) joined me in introducing this legislation, along with 57 other cosponsors on both sides of the aisle. It was approved by the Committee on Financial Services by a unanimous voice vote. I am pleased that the Senate now plans to act on similar legislation in the very near future, and that the President's budget for fiscal year 2004 outlines a proposal similar to our legislation.

The legislation is supported not only by American bankers, the Financial Services Roundtable made up of the 100 largest financial corporations in America, but also by the credit unions, the thrift associations, the community bankers, the securities industry, and also by groups that we sometimes do not find on the same side; the American Association of Retired Persons has recently endorsed this legislation.

Federal deposit insurance has been the hallmark of our Nation's banking system for almost 70 years. The reforms made by this legislation will ensure that the system that serves savers and depositors so well for so long will continue for future generations.

What does the legislation do? First, it merges separate insurance funds that currently apply to deposits held by banks on the one hand and savings associations on the other, creating a stronger, more stable fund that benefits banks and thrifts alike.

Second, it changes the ''pro-cyclical'' bias of the current system. In other words, it spreads out over time the assessments to the institutions which results in, by doing this, a more uniform assessment. Presently we have sharply higher premiums served during recessionary times and much lower premiums during good times. Banks can least afford to pay a higher premium during recessions, and we found that out, and this corrects that.

□ 1045

Third, the legislation includes modest increases in the amount of coverage available. The system has gone from 1980 without an increase in coverage. If we took 1980 as our basis and we increased coverage based on inflation, we would go to $200,000. If we went back to 1980, the $100,000, and we increased it based on per capita income, it would actually go to $300,000. So we are proposing $130,000, a very modest increase.

If we went back to 1974, because some have said they should not have raised it in 1980, they should have kept it at the 1974 level, and we increased it for inflation, it would go to $140,000.

Mr. Chairman, there are some who will offer amendments who have actually publicly stated that they do not believe in Federal deposit insurance, one of the gentlemen offering an amendment later on. So there are Members of the body who do not believe that our deposits in banks should be federally insured.

I understand that; but I, for one, disagree with that. I think Americans have come to rely and have a sense of security in knowing that when they put their retirement funds in a bank or thrift that it is federally insured. Particularly in light of the recent volatility on Wall Street, people have, I think, come to rely more and value more the fact that they can put their money in a federally insured financial institution and not lose that money.

All of us have heard from community bankers in our districts about the challenges that they face in competing for deposits with large-money center banks that are perceived by the market, rightly or wrongly, as being too big to fail. By strengthening the deposit insurance system, our legislation will help small neighborhood-based financial institutions across the country, especially in rural areas, continue to play an important role in financing economic development.

The independent bankers have actually said that this legislation is key to maintaining local home-owned banking institutions. The deposits that community banks are able to attract through Federal deposit insurance guarantees are cycled back into local communities in the form of consumer and small business loans. One reason for this legislation is we value the right of every American to go down to his corner financial institution.

My thanks go to the chairman of the committee.

Mr. Chairman, I reserve the balance of my time.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I support this legislation. It is a very useful synthesis of several important elements. It merges the two bank funds. We have had two bank funds because we previously had a separate thrift and commercial system that was undone by earlier events. We deal here to some extent with the complication of newer entities now coming into the system as a result of the previous legislation we adopted repealing the old restrictions on banking.

There is one particular point I want to stress, that is, that an amendment that is included in this, and I thank the gentleman from Alabama (Mr. BACHUS) and the chairman of the committee, the gentleman from Ohio (Mr. OXLEY), for agreeing to this, cosponsored, when we last debated this bill last year when it passed in our body and did not go further, sponsored by our colleague, the gentlewoman from California (Ms. WATERS).

Years ago, two Members, two former Members, a Member from Pennsylvania named Ridge and a Member from New York named Flake, sponsored a bill to get low-income people who are outside the banking system into the banking system. The bankers of America should recognize this for what it is, a great compliment, a tribute to the role that a banking system plays in enhancing the ability of consumers to manage their lives well.

We have people who are victimized by unscrupulous lending practices. We have people who pay too much to do remittances to other countries, hard-working people in this country who are sending money to family elsewhere. We have payday lending exploitation. Getting people into the banking system is a way to resolve that.

The problem was, there was no funding source for that. In this bill there is a funding source. It comes through deposit insurance. I know there are people in the banking industry, with whom I agree on many issues, who do not like that funding source. If they can come up with an equally reliable alternative funding source, I will work with them.

But I want to make clear, this bill is a synthesis. It helps the people in the banking industry, who are a very important part of our economy; and I am all for it for that reason. It also, and there is one provision, does something about equity. I think that is the model we ought to be following. We ought to be doing what we can to enhance the ability of the free market system to create wealth, which it does so well; but we ought also to be looking for opportunities to accompany those moves with smaller measures, generally, in scope, measures that do not cost any great deal of money very often, although sometimes it might be more, that provide some equity, as well.

This bill does both. It is to me a whole joined together; and it will leave here, and I appreciate the support of the leadership of the committee on the majority side, with those two elements conjoined. I do want to note that if it came back and somebody has put asunder what we have joined, the support for this bill would not be what it is. So I thank the gentleman from Alabama for his leadership.

Mr. Chairman, I reserve the balance of my time.

Mr. BACHUS. Mr. Chairman, I yield 2 minutes to the gentleman from Ohio (Mr. TIBERI).

Mr. TIBERI. Mr. Chairman, I rise today in support of H.R. 522, legislation to reform the Federal deposit insurance system. As a member of the Committee on Financial Services, I am pleased to see the House take up this legislation today, and provide my colleague, the gentleman from Alabama, kudos for bringing this measure to the floor and to the debate today.

One of the provisions of H.R. 522 is it increases deposit insurance coverage from $100,000 to $130,000 per account. The hike in coverage limits is most appropriate, as the current ceiling was set in 1980; and inflation has eroded the real value of that coverage by more than 50 percent. Increased coverage limits will be especially helpful to community banks in bringing, and just as importantly keeping, deposits in their institutions that can be used in local economies and local communities.

In addition, the bill would provide $260,000 in coverage for certain retirement products, certain IRAs, certain 401(k)s, a key step in an ongoing effort here in the Capitol to encourage consumers to build their savings. This provision in particular is relevant to our seniors, who benefit by being able to be more savers as they move toward retirement savings and retirement age to the security of the insured deposit system.

Mr. Chairman, I strongly support this provision and urge all of my colleagues to support it, as well, and vote in favor not only of this important piece of legislation, but also against the amendment that will be offered later to move this provision from $130,000 back to $100,000.

Mr. BACHUS. Mr. Chairman, I yield 2 minutes to the gentleman from Kansas (Mr. MORAN).

Mr. MORAN of Kansas. Mr. Chairman, I appreciate the gentleman from Alabama for yielding time to me, and I commend him on his leadership and persistence with regard to this legislation. It has been a long time coming, and I am pleased today to support H.R. 522.

Much of my focus as a Member of Congress has been on what can we do to improve the chances that rural America will survive, what can we do to make certain that the communities across our country and the people who live there have a little prosperity today, but they also are able to preserve that way of life in small-town America for future generations.

One of the concerns that is clearly there and can be demonstrated is the need for credit for small loans, the need for credit for small business, the need for credit for small farmers and ranchers. We must take steps that will strengthen the financial opportunities available for citizens of our communities across the country to save, to set their money aside. This will encourage those individuals to be able to do that in larger amounts, without having to take the necessary risks of investing in some more volatile kind of market or shopping for deposit ability in towns far away.

Perhaps, even more importantly, if we want rural America to survive, if we want small business and agriculture to have an opportunity to succeed, they have to have access to credit. The opportunity that this legislation presents is a step in the right direction toward making certain that credit is available to our creditworthy business owners, farmers, and ranchers.

I commend the committee and thank them for their efforts in this regard. I lend my wholehearted support toward increasing the amount of coverage and making it possible for our communities to have a greater volume of assets on deposit in their local bank.

Mr. BACHUS. Mr. Chairman, I yield 2 minutes to the gentleman from Texas (Mr. HENSARLING).

Mr. HENSARLING. Mr. Chairman, I rise today in support of H.R. 522, the Federal Deposit Insurance Reform Act of 2003. As a member of the Committee on Financial Services, I want to thank the gentleman from Ohio (Chairman Oxley) and the subcommittee chairman, the gentleman from Alabama (Mr. BACHUS), for their work on this legislation and for acting quickly in this new Congress to address this matter of importance to banks and depositors alike.

This legislation will help create a more stable and a more fair and secure banking system. By combining the Banking Insurance Fund and the Savings Association Insurance Fund into one fund, the risks that a couple of large institutions could fail and impair each fund is greatly reduced.

Merging these funds will help increase fairness in our banking system as well by eliminating the possibility that two institutions of similar sizes would essentially be paying two completely different premiums. Further, the merged fund will make reporting and accounting less burdensome for both the institutions and the FDIC as well.

Our deposit insurance system plays a vital role in our economic security. This legislation will give the FDIC the necessary flexibility to respond to varying economic conditions and allow them to properly price premiums to reflect actual risk. By eliminating the 23 basis point premium ''rate cliff'' required under current law, more institutions will have more capital to invest in our economy. That means more jobs, more hope, more opportunity.

Mr. Chairman, FDIC Chairman Powell stated in his testimony before the Committee on Financial Services last month that H.R. 522 gives Congress ''an opportunity to remedy flaws in the deposit insurance system before those flaws cause actual damage, either to the banking industry or our economy as a whole.''

As a member of that committee, I am glad to see this body act so expeditiously on this legislation. I urge all of my colleagues to vote for H.R. 522.

Mr. BACHUS. Mr. Chairman, I yield 2 minutes to the gentlewoman from Florida (Ms. GINNY BROWN-WAITE).

Ms. GINNY BROWN-WAITE of Florida. Mr. Chairman, I thank the gentleman for yielding time to me.

I rise today in very strong support of the Federal Deposit Insurance Reform Act of 2003. This very critical legislation increases the standard maximum deposit coverage from $100,000 to $130,000, and then indexes the increase every 5 years to account for inflation.

However, most importantly to the seniors in my district, H.R. 522 calls for a doubling of the maximum deposit coverage for retirement accounts. This would allow seniors to maintain coverage on up to $260,000 in their retirement accounts.

The amendment offered today would strike this coverage without doing it for any good reason. The increases are modest and necessary in this bill. If the coverage limit actually had been keeping pace with inflation, today the standard limit would be about $200,000. This bill proposes an increase to only $130,000.

The FDIC is in great need of these commonsense reforms, and I urge my colleagues to join with me in support of H.R. 522 and to oppose any amendment that would strike the coverage increases.

□ 1100

Mr. FRANK of Massachusetts. Mr. Chairman, I yield 3 minutes to the gentleman from Texas (Mr. GONZALEZ).

Mr. GONZALEZ. Mr. Chairman, I rise in support of H.R. 522. I believe this bill makes important changes to the deposit insurance system to improve its effectiveness and increases incentives for people to save.

I wish to particularly speak in support of the provision in this bill that will require the FDIC to report annually on efforts by insured institutions to increase their deposit base by encouraging unbanked households to enter the conventional finance system and to avail themselves of bank accounts and other conventional services offered by depository institutions.

Unbanked families as defined by this provision are those individuals who rarely, if ever, held a checking account or savings account or other type of conventional account in an insured depository institution. Joining me attaching this provision in committee was the gentleman from Illinois (Mr. GUTIERREZ) and the gentleman from Texas (Mr. HINOJOSA).

Mr. Chairman, too many families lack access to basic fundamental services. It is currently estimated that nearly 10 million American families are unbanked. Unfortunately, for unbanked families there are no real financial alternatives but payday lenders or check cashers, which is often the worst form of financing for a struggling American family.

The Hispanic community particularly struggles with high rates of unbanked families. One recent survey found that 35 percent of Hispanic families did not have a bank account, with that number rising to 42 percent for those Hispanics who are foreign born. With limited access to formal saving tools, it is no surprise that the financial net worth of the median Hispanic family in the United States today is estimated to be zero.

Fortunately, great strides have been made by major financial institutions to increase their presence in the Hispanic community through the use of such things as money remittance technology and the matricula card. It is my hope and expectation that all major depository institutions will look at unbanked minority families as a business opportunity and aggressively attempt to include them in the conventional finance system.

A relationship to a mainstream financial institution has long-term positive economic and financial effects on families and the communities where they reside, fostering their greater integration into the United States economy. The best defense against predatory financing is education and a bank account. The unbanked provision in H.R. 522 is intended to highlight those efforts which are most effective in expanding the banking system to every American family. I urge the passage of this bill.

Mr. BACHUS. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado (Mr. BEAUPREZ).

Mr. BEAUPREZ. Mr. Chairman, I thank the gentleman for yielding me time. I particularly commend him for bringing H.R. 522 to the floor of this body.

Before I was sworn in as a Member of Congress I was a community banker. Our family still operates a community bank back home, and I want to highlight why I am supporting this bill from particularly a community banker's position.

Chairman Powell, Chairman of the FDIC, has indicated that the buying power of the $100,000 that is in reference today has deteriorated since 1980, the last time that FDIC insurance rates were adjusted to just $47,000 currently. Well, the same holds true on the lending side, and that is what I want to focus on is credit availability.

One of the biggest challenges, especially for community banks like I ran back home, was to have adequate deposits to meet credit demand. Now, if the $100,000 in 1980 is representative of $47,000 worth of buying power today, similarly, demand for credit has escalated the same way. Access to those deposits is critical and insurance coverage for those deposits is one of the main criteria for large deposit customers to bring their cash to the bank, knowing that it is covered. They either spread it out among other financial institutions at tremendous burden to them, or they put it in uninsured accounts out in the marketplace, both poor options. They like to establish a relationship and like to keep that relationship. This only makes good sense.

Another reason it makes such good sense is that it is a self-insurance program. The banks pay the premium that guarantees the insurance protection for these deposits.

Mr. Chairman, let me again commend the gentleman for bringing this legislation to the floor of this body. It is legislation I have long supported and long encouraged, and I thank the gentleman from Alabama (Mr. BACHUS) for his leadership on this issue.

Mr. BACHUS. Mr. Chairman, I yield 4 minutes to the gentleman from Ohio (Mr. OXLEY), the chairman of the Committee on Financial Services.

(Mr. OXLEY asked and was given permission to revise and extend his remarks.)

Mr. OXLEY. Mr. Chairman, I rise today in strong support of H.R. 522, the Federal Deposit Insurance Reform Act of 2003. Our country has the largest, most complex, most stable banking system in the world. Deposit insurance is one of the major reasons for this stability. And today we will strengthen this system so that it continues to serve as a model for the rest of the world.

Depositors, taxpayers, and depository institutions would be well-served by this legislation which will modernize the Federal deposit insurance system. Federal deposit insurance was created by the Congress in 1934 and it has successfully served the American people for almost 70 years. Public confidence has been maintained, and the stability of the Nation's banking system has been preserved during periods of financial uncertainty.

The deposit insurance system has been significantly modified only twice since 1934, both times in response to the savings and loan crisis of the late 1980s and 1990s. During this crisis the

Federal Government resolved 2,363 failures of insured institutions involving more than $700 billion in assets. As FDIC Chairman Powell has stated, ''There were no bank runs, no panics, no disruptions to financial markets, and no debilitating impact on overall economic activity.''

The existence of the Federal deposit insurance was a critical factor in maintaining public confidence in the banking system during these troubled times. H.R. 522, though technical in nature, seeks to apply the experience of the last decade to today's banking marketplace. It is the 21st century legislation for a 21st century banking industry, and this is it. And while the purpose of deposit insurance remains the same, industry growth, bank expansion from new powers, and the integration of banking and securities activities require that the scope and coverage of deposit insurance evolve so as to reflect the realities of a modern financial services industry. Moreover, the presence of Federal deposit insurance continues to be a key consideration for consumers in their decisions about where they do their banking and what level of deposit risk they are willing to assume.

Mr. Chairman, there is broad consensus in this body, the Bush administration, the Federal banking and thrift regulators, and business and consumer groups in favor of improving and strengthening the deposit insurance system and making it more responsive to the cyclical nature of banking activities and the post-Gramm-Leach-Bliley financial and economic environment. This legislation fulfills our commitment to the American public. Indeed, H.R. 522 was reported out of committee on a voice vote, a testimony to its responsiveness and timeliness. Substantially similar legislation passed this body just last year with over 400 votes.

This legislation is based on the recognition that depositors, savers, and investors have integrated financial needs and that the deposit insurance system must be stronger, more flexible, and adaptable to changing depositor behaviors in real times. The bill provides the FDIC with the necessary supervisory tools to manage the deposit insurance fund in a way that balances all affected interests and allocates the benefits and costs of the system evenly and fairly.

I want to thank the chairman of the Subcommittee on Financial Institutions and Consumer Credit, the gentleman from Alabama (Mr. BACHUS) for taking on this challenging, highly technical legislative process and for engaging all the major stakeholders in developing a bipartisan piece of well-balanced, highly effective legislation.

I also want to thank all of the bipartisan co-sponsors of this important legislation, particularly our distinguished ranking member, the gentleman from Massachusetts (Mr. FRANK), for their good work in this effort. I strongly urge all of my colleagues to support this legislation, and by doing so we ensure the public continues to maintain its confidence in the U.S. financial services industry, by far the most stable in the world.

Mr. Chairman, in scoring last year's deposit insurance reform legislation, the CBO concluded that the bill would decrease net Federal spending by $700 million. This year, presented with a substantially similar piece of legislation reforming the deposit insurance system, the CBO applied a different set of assumptions in performing its analysis of H.R. 522, and concluded that this year's bill would increase net Federal spending by some $1.9 billion.

This large swing between last year's estimate and this year's is attributable in large measure to a change in CBO's calculation of how much premiums the FDIC will be able to collect from insured depository institutions under the two bills. In making this calculation, CBO acknowledged the speculative nature of its analysis, stating that ''it is possible that the FDIC could use its broad discretion [under the legislation] differently than we have assumed and that could result in either fewer or greater premium collections than CBO has estimated.''

The CBO's analysis is grounded in an arbitrary assumption that the FDIC Board will choose not to exercise its authority in a revenue neutral way. This assumption is directly contrary to the consistent congressional testimony of the FDIC that a central goal of deposit insurance reform is revenue neutrality.

In fact, in a letter that the Committee received on March 31, 2003, from the Chairman of the FDIC, the Honorable Don Powell, Chairman Powell stated the FDIC's position that H.R. 522 gives the agency ''appropriate tools and incentives to manage the deposit insurance system such that it will not result in increased net government spending.''

Chairman Powell's letter, which conclusively rebuts the notion that H.R. 522 will have an adverse affect on Federal spending, goes on to state:

> H.R. 522 provides the FDIC with the tools to achieve revenue neutrality in the management of the deposit insurance system. Because any analysis that determines H.R. 522 will result in an increase in net government spending must necessarily rely on assumptions regarding how the FDIC Board will exercise the discretion provided in the legislation, I can assure Congress that the leadership of the FDIC has no intention of managing the deposit insurance system in a way that increases the costs to the government or increases the burden on insured institutions. The costs of the deposit insurance system will continue to be borne by the banking industry, but in a manner that establishes a strong risk-based premium system and avoids the procyclical risks inherent in current law.

The Committee shares the view of the FDIC, the agency that has had responsibility for administering the deposit insurance program since its inception more than 70 years ago, and believes that the CBO analysis of the potential budgetary impact of H.R. 522 is fundamentally flawed.

For the RECORD, I am including a copy of the CBO estimate and the FDIC's response.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, March 28, 2003.

Hon. MICHAEL G. OXLEY,
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. 522, the Federal Deposit Insurance Reform Act of 2003.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Mark Hadley and Ken Johnson (for federal costs), and Judith Ruud (for the private-sector impact).

Sincerely,

BARRY B. ANDERSON
for Douglas Holtz-Eakin, Director.

Enclosure.

H.R. 522—Federal Deposit Insurance Reform Act of 2003

Summary: H.R. 522 would amend provisions of banking and credit union law to reform the deposit insurance system. Specifically, the bill would increase insurance coverage for insured accounts from $100,000 per account to $130,000 for most accounts (with higher levels of coverage for retirement accounts and municipal deposits). Over time, the coverage limit for insured deposits would increase to account for inflation. Those provisions of the bill would affect deposits held by banks and thrifts, which are insured by the Federal Deposit Insurance Corporation (FDIC), as well as those held by credit unions, which are insured by the National Credit Union Administration (NCUA). In addition, the bill would merge the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to create a new Deposit Insurance Fund (DIF) to pay the claims of depositors of failed banks and thrifts. Finally, H.R. 522 would amend the conditions under which banks and thrifts would pay insurance premiums to the FDIC, which administers the funds.

CBO estimates that H.R. 522 would increase the net cost of resolving failed financial institutions by $2.1 billion over the next 10 years. Under the bill, the FDIC and NCUA would offset some of that cost through increased insurance premiums paid by financial institutions. Because H.R. 522 would allow institutions to pay FDIC premiums with credits in lieu of cash, the additional cost of resolving failed financial institutions under the bill would exceed the cash receipts from additional premiums. Consequently, we estimate that the FDIC would bear nearly all of the increased costs of resolving failed institutions during the next five years, when most of the credits would be used. As a result, CBO estimates that a would increase net direct spending by $1.9 billion over the 2004–2013 period.

H.R. 522 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the mandate would impose no costs on state, local, or tribal governments and, therefore, that it costs would not exceed the threshold established in UMRA ($59 million 2003, adjusted annually for inflation).

The bill contains private-sector mandates as defined by UMRA, primarily because it would necessitate the payment of increased deposit insurance premiums. CBO estimates that the direct cost of those mandates would be below the annual threshold specified in UMRA ($117 million in 2003, adjusted annually for inflation) during the first five years after enactment because the bill would provide credits to certain institutions that would largely offset their insurance premium assessments over the 2004–2008 period. We do not have sufficient information to provide a precise estimate of the aggregate cost of all the mandates in the bill.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 522 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By fiscal year, in billions of dollars—									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
DIRECT SPENDING										
FDIC and NCUA Spending Under Current Law:										
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	1.1	1.5	0.9	0.7	0.7	0.8	0.6	0.3	0.1	0.3
Changes in Costs to Resolve Failed Institutions Insured by FDIC and NCUA:										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2
Changes to FDIC and NCUA Premium Collections:										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0.5	0.4	1.1	0.4	*	−0.3	−0.4	−0.5	−0.6	−0.9
Total Changes Under H.R. 522:.										
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0.7	0.6	1.3	0.6	0.2	*	−0.1	−0.3	−0.4	−0.7
FDIC and NCUA Spending Under H.R. 522:										
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	1.8	2.1	2.2	1.3	0.9	0.8	0.5	*	−0.3	−0.4

Note.—*=Between 0 and −$50 million.

Basis of estimate: Two federal agencies are primarily responsible for the deposit insurance system. The FDIC insures the deposits in banks with the BIF and the deposits of thrifts with the SAIF. The NCUA insures the deposits in credit unions (referred to as shares) with the Share Insurance Fund. When a financial institution fails, the FDIC or NCUA use the insurance funds to reimburse the insured depositors of the failed institution. These agencies then sell the assets of the failed institution and deposit any money recovered into the insurance funds.

CBO estimates that H.R 522 would increase both the cost of resolving failed financial institutions and the premiums paid by financial institutions. Over the 2004–2013 period, we estimate that the cost of resolving failed institutions would increase by $2.1 billion and premiums paid by financial institutions would increase by $200 million. Thus, we estimate that enacting H.R. 522 would result in a net increase in direct spending of $1.9 billion over the 2004–2013 period. The major components of this estimate are explained below.

Increase in the Cost of Resolving Failed Financial Institutions

H.R. 522 would increase deposit insurance coverage from $100,000 to $130,000 for most accounts, with higher coverage levels for employee benefit plans and in-state municipal deposits. Such increases would apply to deposits held by credit unions as well as banks and thrifts. In addition, the bill would require the FDIC and NCUA to adjust deposit insurance coverage every five years beginning January 1, 2006, to account for inflation. because H.R. 522 would require that coverage levels be rounded to the nearest $10,000, CBO estimates that coverage would remain at $130,000 in 2006 and would increase to $150,000 in 2011.

By 2004, we expect that insured deposits will total more than $3.5 trillion under current law. Based on information from the FDIC and the experience of past increases in deposit insurance coverage, CBO estimates that the increased insurance coverage under H.R. 522 would increase the deposits insured by the FDIC by about $300 billion—or around 8 percent.

By insuring current deposits that are now uninsured, the bill would increase the liability of the FDIC and NCUA when institutions fail without significantly increasing the assets of those institutions. Under current law, we expect the FDIC's net losses on failed institutions to total about $12.2 billion over the 2004–2013 period. (We project that gross losses of $56.3 billion would be offset, in part, by recoveries of $44.1 billion from selling the assets of the failed institutions.) CBO estimates that the bill would lead to an increase in net losses of $1 billion over the next 10 years. Outlays for resolving failed institutions would increase by a larger amount over the next 10 years, however, because selling the assets of failed banks often takes many years. As a result, CBO estimates H.R. 522 would increase the FDIC's net outlays to resolve failed banks and thrifts by about $2.1 billion over the 2004–2013 period. Similarly, we estimate that enacting H.R. 552 would increase NCUA's net outlays to resolve failed credit unions by about $10 million over the 2004–2013 period.

By increasing deposit insurance coverage, H.R. 522 could reduce incentives of depositors to monitor the behavior of financial institutions. Over the long term, this could lead to increased risk-taking by those institutions and ultimately to higher losses. On the other hand, if the DIF incurs larger losses to resolve failed banks and thrifts, H.R. 522 would give the FDIC the flexibility to set premiums to restore the balances in the fund over several years, thus allowing the agency to recover from large losses without imperiling other institutions. This new authority could reduce future losses. CBO has no basis for estimating the magnitude of either of these effects. We expect, however, that any changes in the costs of resolving failed institutions would eventually be borne by banks and thrifts through premiums.

Effects on Premiums Paid to the FDIC By Financial Institutions

Three general provisions of H.R. 522 would affect the total amount of premiums collected by the FDIC. The bill would provide the FDIC with increase discretion to set premiums. Financial institutions would be given credits that could be used to pay the FDIC assessments in lieu of cash. Finally, the bill would require the FDIC to merge the BIF and SAIF.

The amount of premiums that banks and thrifts would pay through the combined effects of the three major provisions of H.R. 522 would depend on the DIF's balance in each year, which in turn would depend on the costs of resolving failed institutions. To estimate the effects of the bill's provisions on premium collections, CBO considered several thousand scenarios of the magnitude and timing of possible losses to the FDIC and the subsequent impact on premiums that would be collected under the bill. Because the fund balance in any given year depends on the losses in all prior years, each scenario included an estimate of losses over the entire 2004–2013 period. Applying a probability distribution to those loss scenarios, CBO estimated premium income to the government under H.R. 522, reflecting the wide range of uncertainty about future costs of resolving failed financial institutions.

Overall, CBO estimates that the net effect of these provisions on deposit insurance premiums would be an increase in collections of about $100 million over the next 10 years, considerably less than our projected increase in the FDIC's costs to resolve failed financial institutions ($2.1 billion). Each of the bill's three major provisions that would affect premium assessments is described below.

Increased FDIC Discretion Over Premiums. Under current law, the FDIC is required to assess premiums so as to maintain reserves equal to 1.25 percent of insured deposits in the BIF and SAIF. H.R. 522 would give the FDIC broad discretion to set premiums paid by insured financial institutions. As a result, the total amount collected would depend on how the FDIC chooses to exercise that discretion. Specifically, the bill would charge the FDIC with assessing premiums based on the degree of risk for each institution, it would authorize the FDIC to assess other premiums if it considers the DIF's reserves to be inappropriately low, and it would require the FDIC to implement a 10-year restoration plan if the DIF reserve ratio falls below 1.15 percent. It is possible that the FDIC could use its broad discretion differently than we have assumed and that could result in either fewer or greater premium collections than CBO has estimated. The following sections describe how CBO expects that the FDIC would exercise its discretion under the bill.

Premiums Based on the Risk of Each Institution. For this estimate CBO assumes that when setting premiums, the FDIC will consider all of the bill's criteria. Specifically, H.R. 522 would authorize that the FDIC charge premiums based on each institution's risk of failure. CBO expects that the FDIC would choose to charge all institutions some premiums all of the time because even the strongest institutions pose some risk. (Under current law, the vast majority of institutions do no pay any premiums if the BIF or the SAIF are above 1.25 percent of insured deposits.) The bill, however, would limit the amount of premiums the strongest institutions could pay to 0.01 percent of their deposits. Based on information from the FDIC, CBO expects that the risk posed by the strongest institutions will not be much less than that of the next strongest institutions. Therefore, we do not expect that the FDIC would charge those groups vastly different premiums.

Authority To Set Other Premiums. Based on information from the FDIC, CBO expects that the FDIC would increase premiums above the amount required by risk only when the FDIC determines that the DIF's reserves are inappropriately low. For this estimate, CBO assumes the FDIC would charge additional premiums if the DIF's reserves are between 1.15 percent and 1.20 percent of insured deposits. However, there may be limits on the amount by which the FDIC could increase premiums as the DIF nears 1.15 percent. For instance, the increased premiums would not apply to the least risky group of institutions because of the bill's limitation on assessments. Furthermore, we expect that the FDIC would attempt to charge similar premiums to banks with similar risks. Even if the fund were smaller than the FDIC would prefer, we expect that the FDIC would not significantly raise premiums charged to more risky institutions. Finally, CBO expects that the FDIC would attempt to limit volatility in premiums charged and avoid increases in premiums for temporary reductions in the fund. For these reasons, CBO assumes that, when the DIF reserve ratio is between 1.15 percent and 1.2 percent, the FDIC would charge all institutions other than the least risky group only an extra two basis points in premiums.

Ten-Year Restoration Plans. If the DIF's reserves fall below 1.15 percent of insured deposits, then H.R. 522 would require the FDIC to devise and implement a restoration plan to bring the reserve ratio back to 1.15 percent within 10 years. This flexibility to set restoration plans could reduce assessment income of the FDIC because it could spread the necessary premiums over 10 years. On the other hand, this provision of H.R. 522 might provide the FDIC the discretion necessary to recover from a large loss in the fund without imperiling other institutions. For this estimate, CBO assumes that the FDIC would charge all institutions premiums at least two basis points above their risk premiums and, under some conditions, would attempt to return the fund's reserve ratio to 1.15 percent in fewer than 10 years.

Credits for Future Assessments. H.R. 522 would require the FDIC to provide certain banks and thrifts with one-time credits against future assessments, based on their payments to the BIF or SAIF prior to 1997. FDIC's income from premiums would decline to the extent such credits are used. CBO estimates that financial institutions would use credits worth nearly $5.4 billion during the 2004–2013 period. Therefore, FDIC's collections would fall by an equivalent amount over the next 10 years. CBO expects most of the credits would be used over the 2004–2008 period.

The credits would equal 12 basis points (0.12 percent) of the combined assessment base of the BIF and SAIF as of December 31, 2001. Based on information from the FDIC, CBO estimates that the credits would total nearly $5.4 billion. They would be allocated to each institution based on their market share as of December 31, 1996. Institutions established after that date would be ineligible for these one-time credits against their future assessments.

H.R. 522 would limit the use of credits by institutions that are not well capitalized or that exhibit financial, operational, or compliance weaknesses that range from moderately severe to unsatisfactory. Under the bill, such institutions could only use credits worth no more than the average assessment on all depository institutions for that period. In addition, if the DIF's reserves fall below 1.15 percent of insured deposits, institutions would be prohibited from using more than three basis points worth of credits in that year. Even with those limitations, CBO expects that all of the credits awarded would be used during the 2004–2013 period.

H.R. 522 also would give the FDIC broad authority to award additional credits on an ongoing basis. For the purposes of this estimate, CBO assumes that the FDIC would award those ongoing credits only when DIF reserve ratio approaches 1.35 percent. Based on the growth of insured deposits, increased losses, and the impact that one-time credits would have on premium income, CBO estimates that it is very unlikely the fund balance would approach 1.35 percent of insured deposits.

Merging BIF and SAIF. H.R. 522 would require the FDIC to merge the Bank Insurance Fund and the Savings Association Insurance Fund and create a new Deposit Insurance Fund. By 2004, CBO expects the net worth of the combined fund would be about $45 billion. Considered separately from the other reforms in the bill, merging the funds would delay the collection of premiums on institutions now insured by the BIF for a few years and would have a minor impact on net outlays from the fund over the 2004–2013 period.

Increase in Premiums Paid to NCUA By Financial Institutions

Under current law, credit unions must pay NCUA 1 percent of the net change in deposits each year. NCUA provides rebates to credit unions if the balance in the share insurance fund exceeds 1.3 percent of insured deposits. Under current law, CBO estimates that NCUA will collect net premiums of about $3.3 billion from its members over the 2004–2013 period.

Based on information from NCUA, CBO expects that H.R. 522 would extend insurance coverage to about $6 billion in currently uninsured deposits in 2004 and that the higher insurance levels would attract about $50 million in new deposits that year. CBO estimates that, under the bill, the net premiums collected by NCUA would increase by $100 million over the 2004–2013 period. About $60 million of that amount would be realized in 2004. The premiums collected for the expanded insurance coverage would more than offset the estimated additional costs to NCUA of $10 million over the next 10 years.

Estimated impact on state, local, and tribal governments: H.R. 522 contains an intergovernmental mandate as defined in UMRA. A provision in section 3 would preempt New York state laws that bar savings banks and savings and loan associations from accepting municipal deposits. Enacting this provision would impose no costs on state, local, or tribal governments and, therefore, the costs of the mandate would not exceed the threshold established in UMRA ($59 million in 2003 adjusted annually for inflation). Enacting the bill could benefit municipalities in New York to the extent that more depository institutions may compete for their deposits and offer more favorable terms as part of that competition.

Estimated impact on the private sector: The bill contains private-sector mandates as defined by UMRA, primarily because it would necessitate the payment of increased deposit insurance premiums. CBO estimates that the direct cost of those mandates would be below the annual threshold specified in UMRA ($117 million in 2003, adjusted annually for inflation) during the first five years after enactment because the bill would provide credits to certain institutions that would largely offset their insurance premium assessments over the 2004–2008 period. We do not have sufficient information to provide a precise estimate of the aggregate cost of all mandates in the bill.

Banks and Savings Associations

Commercial banks and savings associations must have federal deposit insurance. CBO, therefore, considers changes in the federal deposit insurance system that increase requirements on those institutions to be private-sector mandates under UMRA. Specifically, the bill would increase federal insurance coverage for insured depository accounts. Because premiums are based in part on the amount of insured deposits, that increase in coverage would require banks and savings associations to pay more in deposit insurance premiums.

Three provisions of H.R. 522 would affect the total amount of premiums collected by the FDIC. The bill would require the FDIC to merge the BIF and the SAIF. The bill would provide the FDIC with greater discretion to set premiums. The FDIC would grant credits to some financial institutions that could be used to pay deposit insurance premiums in lieu of cash.

CBO estimates that as a result of the merger of the deposit insurance funds, increase deposit insurance coverage, and the greater discretion given to the FDIC to set premiums for banks and savings associations, banks and savings associations would be assessed about $200 million less in premiums in fiscal year 2004 (largely because of the savings provided by the merger of the BIF and the SAIF) but would be assessed about $1 billion more in 2005 when compared with current law. The additional assessments would total about $2.4 billion over the five-year period from 2004 to 2008.

However, H.R. 522 would require the FDIC to award credits to certain banks and savings associations that may be used to offset future deposit insurance premium assessments. The credits would amount to about $5.4 billion. Only banks and savings associations that paid deposit insurance premiums prior to 1997 would be eligible to receive credits. CBO expects that institutions that are awarded credits would use them as soon as they are available. For example, CBO estimates that in 2005, the industry would use about $1.5 billion of these credits towards the $1.7 billion of deposit insurance assessments. Although some institutions would have to pay more in premiums, the industry as a whole would pay about $400 million less in 2005 than it would have to pay under current law because of the use of the credits.

Over the 2004–2007 period, CBO expects that the industry would pay less in premiums than it would under current law due to the credits. However, as the industry exhausts its credits, it would have to pay more in premiums than under current law. By 2008, CBO expects that the industry would have to pay premiums of about $50 million more. In 2009, the industry would pay additional premiums of about $300 million, and the amount of additional premiums paid would increase in subsequent years.

Credit Unions

Because the bill would increase the coverage of insured accounts for federally insured credit unions, those credit unions would have to contribute more to the National Credit Unions Insurance Fund. CBO estimates that those institutions would contribute an additional $60 million in fiscal year 2004. The additional contributions would total about $100 million over the 2004–2008 period.

Employee Benefit Plan Deposits

The bill would also prohibit banks, savings associations, and credit unions that are not well capitalized or adequately capitalized from accepting employee benefit plan deposits. CBO does not have sufficient information to assess the cost of this mandate.

Estimate prepared by: Federal Costs: Mark Hadley (226–2860), Ken Johnson (226–2860), and Judith Ruud (226–2940). Impact on State, Local, and Tribal Governments: Victoria Heid Hall (225–3220). Impact on the Private Sector: Judith Ruud (226–2940).

Estimate approved by: Robert A. Sunshine, Assistant Director for Budget Analysis

FEDERAL DEPOSIT
INSURANCE CORPORATION,
Washington, DC, March 31, 2003.

Hon. MICHAEL G. OXLEY,
Chairman, Committee on Financial Services, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: I am writing to address recent concerns raised by the Congressional Budget Office that H.R. 522, the Federal Deposit Insurance Reform Act of 2003, would increase net government spending. H.R. 522 provides the Federal Deposit Insurance Corporation with a number of new discretionary tools that permit an effective risk-based deposit insurance system and avoid the procyclical impact of current law. Because any analysis of the impact of this legislation is highly dependent on unpredictable variables, the FDIC would like to provide Congress with the assurance that H.R. 522 includes appropriate tools and incentives to manage the deposit insurance system such that it will not result in increased net government spending.

REVENUE NEUTRALITY

From the very beginning of the debate on deposit insurance reforms, the FDIC has stated that the point of the reforms is neither to increase assessment revenues from the industry nor to relieve the industry of its obligation to fund the deposit insurance system. Rather, the goal of deposit insurance reform is to distribute the assessment burden more evenly over time and more fairly across insured institutions. H.R. 522 provides the FDIC with the tools to achieve revenue neutrality in the management of the deposit insurance system. Because any analysis that determines H.R. 522 will result in an increase in net government spending must necessarily rely on assumptions regarding how the FDIC Board will exercise the discretion provided in the legislation, I can assure Congress that the leadership of the FDIC has no intention of managing the deposit insurance system in a way that increases the costs to the government or increases the burden on insured institutions. The cost of the deposit insurance system will continue to be borne by the banking industry, but in a manner that establishes a strong risk-based premium system and avoids the procyclical risks inherent in current law.

DIFFICULTY OF ANALYZING DISCRETIONARY ACTIONS

Analyzing the budgetary impact of H.R. 522 is undeniably a difficult exercise that depends critically on two types of assumptions—external factors and internal factors. External factors include a number of complex variables, such as the likelihood of future failures, the condition of the economy, the cost of failures, and deposit growth. A change in any one or more of these variables has a significant impact on the analysis.

The internal factors involve the behavior and decisions of the FDIC Board of Directors in setting deposit insurance premiums. In the case of H.R. 522, the analysis is difficult because the discretion granted to the FDIC to manage the deposit insurance funds requires analysts to model the future decisions of the FDIC Board. The CBO analysis makes a number of assumptions about when the FDIC Board will exercise its discretion to increase deposit insurance premiums and how much it will charge. Based on these assumptions, the CBO reaches a conclusion that the FDIC Board acts in a manner that results in a $1.9 billion net increase in government spending over ten years. Yet, nothing in the legislation prevents the FDIC Board from making slightly different decisions. The CBO estimate represents an annual ‘‘cost’’ of less then one half a basis point against the FDIC’s assessment base. There is no reason to assume that the FDIC Board would not make the minor adjustments in its decisions to achieve its stated goal of revenue neutrality.

BENEFITS OF H.R. 522

No analysis of the ‘‘costs’’ of legislation is complete without a full consideration of the benefits provided by the bill. The FDIC believes that H.R. 522 provides significant benefits over the current deposit insurance system. The current system is procyclical and will require the banking industry to pay its highest premiums at the worst possible time—during economic downturns—so that banks will have less money available to lend when their communities need it most.

In addition, H.R. 522 will permit the FDIC to implement an effective risk-based premium system. Under the current system, 91 percent of financial institutions do not pay deposit insurance premiums even though there are clear differences in their risk profiles. Safer institutions subsidize their riskier competitors and many institutions have never paid a premium for their insurance coverage. An effective deposit insurance system that charges institutions based on the risk they present to the insurance fund would be fairer and provide greater protection against risky practices that can lead to bank failures and deposit insurance losses.

If H.R. 522 or similar legislation is enacted into law, the FDIC believes it will represent an important improvement over the current deposit insurance system. I can assure you that it is the intention of the FDIC to implement H.R. 522 to achieve our stated goal of revenue neutrality. I hope that the House of Representatives will take a major step toward a safer and sounder deposit insurance system by passing H.R. 522.

Sincerely,

DONALD E. POWELL.

Mr. FRANK of Massachusetts. Mr. Chairman, I reserve the balance of my time.

Mr. BACHUS. Mr. Chairman, I yield 3 minutes to the gentleman from Texas (Mr. BURGESS).

(Mr. BURGESS asked and was given permission to revise and extend his remarks.)

Mr. BURGESS. Mr. Chairman, I thank the gentleman for yielding me time.

I rise today in support of H.R. 522, the Federal Deposit Insurance Reform Act of 2003. This legislation would accomplish a much-needed modernization of our Federal deposit insurance system. It would help millions of typical Americans get important protection for their savings that they deserve.

H.R. 522 would help modernize the system by increasing the deposit coverage levels for our Nation’s savers from $100,000 to $130,000. I have no doubt that H.R. 522 would help many Americans get the important protection that they deserve for their savings, for their nest eggs.

H.R. 522 strengthens the Nation’s insured depository institutions, especially small banks, thrifts, and credit unions. It also ensures that the Federal deposit insurance system does not harm the ability of the insured depository institutions to meet the Nation’s credit needs at all stages of the economic cycle. And who can argue against a bill which advances the national priority of enhancing retirement security for all Americans?

Coverage levels are increased for, IRAs and 401(k) plans. This is essential to our economy as our population ages and retirees are realizing the sums of money that it will take today to maintain an adequate standard of living. This is why the American Association of Retired Persons supports this bill.

We must pass this bill in order to encourage retirees in smaller towns to keep their savings in local community banks instead of transferring monies to larger banks headquartered in some distant city. Transactions to larger banks hurt the local community’s economy because the savers’ monies are not recycled back into the community. It also directly hurts the local community’s residents because there are less funds available; thus access to credit become more difficult and the costs of raising funds to lend becomes higher.

This evolution of bank transactions ultimately hurts the local economy, threatening the job base and the economic vitality of the local community. I know this bill has widespread support in this Chamber. During the last Congress, the 107th Congress, the House passed similar legislation with an overwhelming bipartisan vote. Last year’s solid vote of support indicates to me the importance of this measure and the grassroots support behind it. I urge my colleagues to pass H.R. 522 with similar resolve.

Today more than ever, American savers and investors need reassurance, reassurance that their elected representatives are helping to ensure that their hard-earned savings are safe with a modern deposit insurance system.

Let us promote confidence for today’s disheartened saver and investor and promote confidence for the system for our children. I urge passage of H.R. 522.

Mr. BACHUS. Mr. Chairman, I yield 3 minutes to the gentleman from Alabama (Mr. ADERHOLT).

Mr. ADERHOLT. Mr. Chairman, I rise today in support of H.R. 522 which merges the Bank Insurance Fund and the Savings Association Insurance Fund, and which updates a successful program by increasing the standard maximum deposit insurance limit to $130,000 and indexing it every 5 years for inflation, doubling the new coverage level for certain retirement accounts and increasing the coverage amount for in-State municipal deposits.

The FDIC deposit insurance system has served a critical role in the stability of our Nation’s financial system. The reform to increase deposit insurance coverage from $100,000 to $130,000 will provide American savers the ability to better secure their nest egg while ensuring ongoing consumer confidence and the stability of the banking system. At an earlier time in history, a person may have felt it better to put their money in a metal box underneath a loose floor board in the house. At the other end of the spectrum would be the venture capitalists. They take risks, but that is their choice.

The FDIC deposit insurance system creates some stability for the average person looking to secure some of their savings, not only for their retirement but for education and family needs as well. The increase in protection for retirement funds is significant not only for the overall picture, but also it is important that we pass this as reported out by committee.

The image of a metal box brings up another point. If that money is in a bank as opposed to underneath a house, it obviously becomes part of the Nation's overall cash flow and investment system. This bill updates, at even less than the rate of inflation, the deposit insurance amount. That allows depositors who wish to put their funds in local independent banks to do so with confidence. In turn, those banks are able to approve loans related to local projects.

I think even opponents of this bill in its current form would agree that competition is indeed good. For Congress to keep this amount of $100,000 is a not a harmless action. Not increasing the insurance amount in the face of 21 years of inflation in effect makes Congress a partner in the erosion of the ability of local communities to compete fairly with larger banks.

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References to the savings and loan crisis have to be weighed in the context of the actions taken after that situation by both government and industry.

This bill passed last year by a vote of 408 to 18. I urge support today for this bill as reported out of committee and a ''yes'' vote on final passage.

Mr. FRANK of Massachusetts. Mr. Chairman, I yield back the balance of my time.

Mr. BACHUS. Mr. Chairman, I yield myself such time as remains.

Mr. Chairman, there are opponents to this legislation. Those opponents give several reasons, and we may hear those during the amendments; but I think the most honest opponent of this legislation is the gentleman from California (Mr. ROHRABACHER), who will offer an amendment or who may not offer an amendment but who has filed an amendment to strike the increases in coverage.

The gentleman from California (Mr. ROHRABACHER) said in the American Banker, and I quote him, in today's edition, ''I don't believe in Federal deposit insurance.'' I think that pretty much sums up the opposition because if a person does not believe in it, then a person does not want it to increase to allow for inflation or for increase in per capita income. If a person does believe in it, then they want it to remain current. They want it to remain current with per capita income and inflation.

As I said, we last increased the levels in 1980. If we adjusted them for per capita income, they would actually go to $300,000. If we increased them for inflation, they would go to $200,000. We, to build a consensus, only increased them to $130,000; but we did increase retirement funds to $260,000, but we felt that there were people other than retirees who deserve the protection to keep up with per capita income and inflation.

So we increased everyone's coverage to 130, including small businesses and depositors, many of whom we found in testimony sell their house, deposit the entire proceeds in a financial institution and assume, sometimes tragically, that there is sufficient coverage.

There are additional reasons why people are opposing this legislation. There is a question of cost. The CBO scored the same bill last year as a savings of $750 million. This year they say it has a cost of $1 billion.

Chairman Powell of the FDIC responded to the CBO estimate and said this, because it conclusively rebuts any CBO estimate that this will cost the taxpayers and any argument that may be made on the floor today about the budgetary impact of the legislation, and he says, ''H.R. 522 provides the FDIC with the tools to achieve revenue neutrality in the management of the deposit insurance system. Because any analysis that determines 522 will result in an increase in net government spending must necessarily rely on assumptions regarding how the FDIC Board will exercise the discretion provided in the legislation.'' And here is the most pertinent part: ''I can assure Congress that the leadership of the FDIC has no intention of managing the deposit insurance system in a way that increases the cost to the government or increases the burden on insured institutions. The costs of the deposit insurance system will continue to be borne by the banking industry, but in a manner that establishes a strong risk-based premium system and avoids the procyclical risks inherent in current law.'' I do stress there are risks in the current law if we do not amend it.

He also in a letter to this body on March 31 says, ''No analysis of the 'costs' of legislation is complete without a full consideration of the benefits provided by the bill,'' and he goes on to list many benefits to the economy, to savers and to strengthening our banking institution.

Another rabbit that has been turned loose by opponents of this bill is that the increase in coverage, the last increase was what precipitated the savings and loan crisis. That is simply not a fact. There were many causes. In fact, let me read from a report from this own body as to the reason for the savings and loan crisis. The causes of the thrift crisis can be traced to a number of factors: poorly timed deregulation, the dismal performance of some thrift management, inadequate oversight supervision and regulation.

Mr. TIAHRT. Mr. Chairman, I rise today in support of the Federal Deposit Insurance Reform Act of 2003. This much needed, bipartisan legislation will help rural communities in my district, as well as thousands of other small towns across this country. H.R. 522 strengthens the deposit insurance fund and helps address a major funding need for community banks.

I have heard from many farm banks in Kansas that continue to have problems increasing their core deposits. These banks are forced to turn to noncore funds to support their asset growth. I am told noncore funds can often be more expensive and volatile than core deposits. This is not good for either the bankers or the customers who are investing their money.

The FDIC's Kansas City office noted in their Spring 2003 Regional Outlook report that ''core funding takes on added importance for community banks with a significant presence in rural communities facing long-term negative growth . . .''. This report goes on to say that core funds are the staple of rural banks, but they are increasingly becoming more difficult to attract or even retain.

Because of the artificially low deposit insurance cap, rural residents are being forced to send deposits that are not insured with the current $100,000 limit to institutions outside their local communities.

I see no good reason to allow this loss of capital from rural areas. It is capital that could be used for loans to diversify our rural communities and create or expand small businesses. At a time when our small towns are really suffering economically, we need all the local investment available. Local investment encourages entrepreneurship and ultimately creates local jobs. H.R. 522 will help ensure that objective is not eroded over time as it has done for more than two decades.

A declining rural population leads to a declining deposit base. An increasing rural population tends to create more demand for loans. Either way, this situation indicates we need to increase deposit insurance levels. Local dollars should stay invested in our local communities.

The bill today increases the basic coverage level from $100,000 to $130,000. This modest increase is long overdue, especially in context of other changes made to the system in recent years. Higher coverage levels will strengthen depositor confidence in the entire financial services system.

H.R. 522 also gives the FDIC flexibility. Right now, the FDIC is mandated to have the ratio of reserves to estimated insured deposits at a hard target of 1.25 percent. This bill we are considering today would allow that ratio to be within a range of 1.15 to 1.4 percent.

Finally, H.R. 522 directs the FDIC to study its administrative and managerial processes and alternative means for administering the deposit insurance system. These studies will ensure the deposit insurance fund and the overall insurance system are managed and operated as efficiently and effectively as possible.

I encourage my colleagues to join me in supporting the Federal Deposit Insurance Reform Act of 2003. It is good common-sense legislation that will help people in our rural communities.

Mr. CRAMER. Mr. Chairman, I rise today in support of H.R. 522, the Federal Deposit Insurance Reform Act of 2003. With the banking industry currently in good health, now is the time for Congress to act on needed reforms to the insured deposit system that has protected the American financial system and consumers so well since the program began in the dark days of the Depression.

Among its other provisions, this legislation will enhance the safety and soundness of the financial services industry by maintaining the value of deposit insurance coverage in the years to come, as well as providing additional coverage of certain retirement products, which will greatly aid in boosting retirement savings.

H.R. 522 will increase general deposit insurance coverage from $100,000 to $130,000 per account, and index this coverage to inflation going forward, so that the real value of that coverage does not erode over time. The existing $100,000 limit was set in 1980, but the real value of that coverage has decreased to around $45,000 due to inflation over the last 23 years.

For certain IRS-approved retirement products, this legislation will double general coverage to $260,000. Increasing coverage of these retirement products will provide citizens, particularly senior citizens, with added assurance that their hard-earned savings are safe and secure and will continue to grow in value. These provisions are an excellent step in the right direction to increase the consumer savings rate. The bill will also provide additional coverage of municipal deposits, thereby keeping public funds in the communities in which they are generated.

As I noted earlier, federal deposit insurance has served this country extremely well for some 70 years. One of the best examples of the critical importance of deposit insurance was its role in ensuring public confidence in the banking system during the thrift crisis of the late 1980s. Now H.R. 522 will provide further revisions to the deposit insurance system that will help make certain that the program remains as effective as it has historically been in protecting both the U.S. banking system and its customers in the decades to come. Please join me in support of this important legislation.

Ms. JACKSON-LEE of Texas. Mr. Chairman, I rise in support of H.R. 522, The Federal Deposit Insurance Reform Act of 2003.

H.R. 522 is a bi-partisan bill that benefits our senior citizens, small businesses, and local banks by updating and preserving the value of our insured deposit system. H.R. 522 helps our Nation's senior citizens by increasing the coverage limits for retirement accounts at insured depository institutions to more than double the current federal coverage level. H.R. 522 helps small businesses and local banks by encouraging small business owners to consolidate their funds into smaller, local banks.

Furthermore, H.R. 522 benefits all of our communities by helping to keep local deposits in the local communities they should be serving. H.R. 522 encourages local government entities to keep their funds in local banks, also fostering local economic development. H.R. 522 includes provisions that increase coverage for municipal deposits as well. The increased coverage helps keep local monies at home and improves the local economy by enabling institutions to offer more car, home, and education loans in their communities.

Last year a bill virtually identical to H.R. 522 cleared the House by a 408–18 vote. This bipartisan support is echoed by organizations such as the American Association of Retired Persons, and the Independent Community Bankers Association who also support H.R. 522.

I support H.R. 522 as well, Mr. Chairman, because I support our local communities.

Mr. BEREUTER. Mr. Chairman, this Member rises today to express his support for H.R. 522, the Federal Deposit Insurance Reform Act. This bill, of which this Member is an original cosponsor, will encourage private savings which is a crucial factor in promoting economic stability.

First, this Member would like to thank the distinguished gentleman from Alabama, the Chairman of the House Financial Services Subcommittee on Financial Institutions and Consumer Credit (Mr. BACHUS) for introducing this legislation. This Member would also like to thank both the distinguished gentleman from Ohio, the Chairman of the House Financial Services Committee (Mr. OXLEY), and the distinguished gentleman from Massachusetts, the Ranking Member of this Committee (Mr. FRANK), for their efforts in bringing this measure to the House Floor.

This bill, H.R. 522, passed the House Financial Services Committee, by a voice vote, on March 13, 2003. This legislation is virtually identical to a bill that passed the House last year, by a vote of 408–18. Unfortunately, the Senate chose not to act on Federal Deposit Insurance Corporation, FDIC, reform in the 107th Congress.

As a matter of background, Congress in 1934 initially set the deposit insurance coverage limit at $5,000. The last increase was in 1980, when Congress raised the value of coverage to $100,000, per person, per institution. According to the FDIC, due to inflation, the real value of this $100,000 coverage limit has decreased by about half.

This Member would like to focus on the following four provisions in this important legislation which will:

1. Increase the FDIC coverage level to $130,000 and index this level for inflation every five years thereafter;

2. Increase the FDIC coverage level for retirement accounts to $260,000;

3. Increase the FDIC coverage level for in-state municipal deposits to the lower of $2 million or the sum of the new coverage level plus 80 percent of the deposits in excess of the new standard; and

4. Ensure the financial institutions receive their equitable share of dividends and credits from the deposit insurance fund.

First, this legislation would increase the $100,000 FDIC insurance limit to a new limit of $130,000. The deposit insurance limit would then be indexed every five years to a cost of living adjustment and rounded to the nearest $10,000. This Member believes this increase in the FDIC limit is warranted and justified.

This Member has met with many Nebraska community bankers who have emphasized the importance of increasing the deposit insurance coverage limit in order for community banks to attract and maintain core deposits. Currently, community banks are losing deposits to more distant brokerage and mutual fund companies. If community banks do not have the core deposits to make loans, the economic development of communities suffer. Local money needs to stay in a community where it can build infrastructure and create jobs.

Second, this bill would increase the coverage level for retirement accounts from the current $100,000 to a level of $260,000, which will encourage greater retirement savings. It is important to take this action, since the current rate of savings by Americans is quite low. Moreover, this change is particularly important to older Americans to ensure that they have secure banking services nearby. In many rural areas, the alternative to this coverage level increase is for consumers to bank at more distant institutions.

Third, this legislation would also importantly increase coverage for in-state municipal deposits to the lower of $2 million or the sum of the new coverage level plus 80 percent of the deposits in excess of the new standard. Community bankers have stressed to this Member their support for greater coverage of municipal deposits as they now only receive $100,000 of FDIC protection. Municipal deposits are taxpayer funds from state and local governments, and schools deposited in local banks. This change is very important in Nebraska since there are so many different public entities collecting revenue and in turn making deposits in local banks.

Lastly, this Member supports the provisions in H.R. 522 which were authored by the distinguished gentlelady from New York (Ms. MALONEY) and this Member. These three provisions were included in the Manager's Amendment which passed by voice vote during the Committee's consideration of the virtually identical bill in the 107th Congress. We offered the following changes to help ensure that financial institutions receive their equitable share of dividends and credits from the deposit insurance fund.

This bill establishes a 1 basis point cap on the premiums that the FDIC can charge those institutions that qualify for the lowest-risk category under the risk-based premium system, when the actual level of the reserve ratio is above 1.15 per $100 of insured deposits. Furthermore, H.R. 522 provides that when the reserve ratio of the deposit insurance fund is between 1.35 and 1.4 per $100 of insured deposits, the FDIC must pay dividends equal to 50 percent of the amount in excess of 1.35. This bill also includes language which establishes an ongoing credit pool that could be used by institutions against their premium assessments based on the historical contributions of the institution to the deposit insurance fund. This provision will reward those institutions who helped fully recapitalize the bank insurance fund in 1996.

In conclusion, for the reasons mentioned and many others, this Member urges his colleagues to support H.R. 522.

Mr. OSBORNE. Mr Chairman, banks that primarily serve agricultural customer remain concerned with the possibility of having to rely more and more on nontraditional funding sources to support their asset growth and continued ability to provide the necessary financing for their customers—farmers, ranchers, consumers and rural businesses.

Today, more than 1,820 of our nation's banks hold more than 25 percent of their loans. According to the Federal Deposit Insurance Corporation, FDIC, office in Kansas City, in Nebraska, there are 210 farm banks that are FDIC insured institutions with at least 25 percent of total loans comprised of agriculture loans. A majority of these banks are located in rural areas and are the economic engines that help support the local community.

The legislation we are considering today, H.R. 522, the Federal Deposit Insurance Reform Act of 2003, includes modest reforms to the deposit insurance system that will substantially benefit local banks in my community and our nation's agricultural economy. During the 1990s many farm banks experienced a decline in core deposits and would likely see that trend reversed with increased deposit insurance coverage levels. A key component of this legislation includes a provision that provides for a modest increase of general coverage levels to $130,000 and then indexes it for inflation. Deposit insurance coverage levels have not been increased in twenty-three years, the longest period in FDIC history without an increase. Deposit protection has eroded by one-half due to inflation since 1980.

Higher coverage levels would provide rural residents such as farmers and ranchers with the additional security to deposit their funds in the local bank. These funds would be reinvested in the local communities to support projects such as the building of new ethanol plants and other value-added processing activities that will benefit local agricultural producers and provide employment for rural residents. Additional economic development in rural areas would create new opportunities for recent college and high school graduates and would help stop the rural depopulation that has been occurring over the past 20 years in many of our agriculturally dependent areas.

I urge my colleagues to support our nation's local banks and rural communities by voting ''yea'' on H.R. 522.

Mr. Chairman, H.R. 522, the Federal Deposit Insurance Reform Act, expands the federal government's unconstitutional control over the financial services industry and raises taxes on all financial institutions. Furthermore, this legislation could increase the possibility of future bank failures. Therefore, I must oppose this bill.

I primarily object to the provisions in H.R. 522 which may increase the premiums assessed on participating financial institutions. These ''premiums,'' which are actually taxes, are the premier sources of funds for the Deposit Insurance Fund. This fund is used to bail out banks that experience difficulties meeting their commitments to their depositors. Thus, the deposit insurance system transfers liability for poor management decisions form those who made the decisions, to their competitors. This system punishes those financial institutions which follow sound practices, as they are forced to absorb the losses of their competitors. This also compounds the moral hazard problem created whenever government socializes business losses.

In the event of a severe banking crisis, Congress will likely transfer funds from the general revenue into the Deposit Insurance Fund, which could make all taxpayers liable for the mistakes of a few. Of course, such a bailout would require separate authorization from Congress, but can anyone imagine Congress saying ''No'' to banking lobbyists pleading for relief from the costs of bailing out their weaker competitors?

Government subsidies lead to government control, as regulations are imposed on the recipients of the subsidies in order to address the moral hazard problem. This is certainly the case in banking, which is one of the most heavily regulated industries in America. However, as George Kaufman, the John Smith Professor of Banking and Finance at Loyola University in Chicago, and co-chair of the Shadow Financial Regulatory Committee, pointed out in a study for the CATO Institute, the FDIC's history of poor management exacerbated the banking crisis of the eighties and nineties. Professor Kaufman properly identifies a key reason for the FDIC's poor track record in protection individual depositors: regulators have incentives to downplay or even cover-up problems in the financial system such as banking failures. Banking failures are black marks on the regulators' records. In addition, regulators may be subject to political pressure to delay imposing sanctions on failing institutions, thus increasing the magnitude of the loss.

Immediately after a problem in the banking industry comes to light, the media and Congress will inevitably blame it on regulators who were ''asleep at the switch.'' Yet, most politicians continue to believe that giving the very regulators whose incompetence (or worse) either caused or contributed to the problem will somehow prevent future crises!

The presence of deposit insurance and government regulations removes incentives for individuals to act on their own to protect their deposits or even inquire as to the health of their financial institutions. After all, why should individuals be concerned with the health of their financial institutions when the federal government is insuring banks following sound practices and has insured their deposits?

Finally, I would remind my colleague that the federal deposit insurance programs lacks constitutional authority. Congress' only mandate in the area of money, and banking is to maintain the value of the money. Unfortunately, Congress abdicated its responsibility over monetary policy with the passage of the Federal Reserve Act of 1913, which allows the federal government to erode the value of the currency at the will of the central bank. Congress' embrace of fiat money is directly responsible for the instability in the banking system that created the justification for deposit insurance.

In conclusion, Mr. Chairman, H.R. 522 imposes new taxes on financial institutions, forces sound institutions to pay for the mistakes of their reckless competitors, increases the chances of taxpayers being forced to bail out unsound financial institutions, reduces individual depositors' incentives to take action to protect their deposits, and exceeds Congress's constitutional authority. I therefore urge my colleagues to reject this bill. Instead of extending the Federal program, Congress should work to prevent the crises which justify government programs like deposit insurance, by fulfilling our constitutional responsibility to pursue sound monetary policies.

The CHAIRMAN. All time for general debate has expired.

Pursuant to the order of the House of Tuesday, April 1, 2003, the committee amendment in the nature of a substitute printed in the bill shall be considered as an original bill for the purpose of amendment under the 5-minute rule and shall be considered read.

The text of the committee amendment in the nature of a substitute is as follows:

H.R. 522

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Federal Deposit Insurance Reform Act of 2003''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

SEC. 2. MERGING THE BIF AND SAIF.

(a) IN GENERAL.—

(1) MERGER.—The Bank Insurance Fund and the Savings Association Insurance Fund shall be merged into the Deposit Insurance Fund.

(2) DISPOSITION OF ASSETS AND LIABILITIES.—All assets and liabilities of the Bank Insurance Fund and the Savings Association Insurance Fund shall be transferred to the Deposit Insurance Fund.

(3) NO SEPARATE EXISTENCE.—The separate existence of the Bank Insurance Fund and the Savings Association Insurance Fund shall cease on the effective date of the merger thereof under this section.

(b) REPEAL OF OUTDATED MERGER PROVISION.—Section 2704 of the Deposit Insurance Funds Act of 1996 (12 U.S.C. 1821 note) is repealed.

(c) EFFECTIVE DATE.—This section shall take effect on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

SEC. 3. INCREASE IN DEPOSIT INSURANCE COVERAGE.

(a) IN GENERAL.—Section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)) is amended—

(1) by striking subparagraph (B) and inserting the following new subparagraph:

''(B) NET AMOUNT OF INSURED DEPOSIT.—The net amount due to any depositor at an insured depository institution shall not exceed the standard maximum deposit insurance amount as determined in accordance with subparagraphs (C), (D), (E) and (F) and paragraph (3).''; and

(2) by adding at the end the following new subparagraphs:

''(E) STANDARD MAXIMUM DEPOSIT INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term 'standard maximum deposit insurance amount' means—

''(i) until the effective date of final regulations prescribed pursuant to section 9(a)(2) of the Federal Deposit Insurance Reform Act of 2003, $100,000; and

''(ii) on and after such effective date, $130,000, adjusted as provided under subparagraph (F).

''(F) INFLATION ADJUSTMENT.—

*''(i) IN GENERAL.—By April 1 of 2005, and the 1st day of each subsequent 5-year period, the Board of Directors and the National Credit Union Administration Board 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) $130,000; and

''(II) the ratio of the value of the Personal Consumption Expenditures Chain-Type Index (or any successor index thereto), published by the Department of Commerce, as of December 31 of the year preceding the year in which the adjustment is calculated under this clause, to the value of such index as of the date this subparagraph takes effect.

''(ii) ROUNDING.—If the amount determined under clause (ii) for any period is not a multiple of $10,000, the amount so determined shall be rounded to the nearest $10,000.

''(iii) PUBLICATION AND REPORT TO THE CONGRESS.—Not later than April 5 of any calendar year in which an adjustment is required to be calculated under clause (i) to the standard maximum deposit insurance amount and the standard maximum share insurance amount under such clause, the Board of Directors and the National Credit Union Administration Board shall—

''(I) publish in the Federal Register the standard maximum deposit insurance amount, the standard maximum share insurance amount, and the amount of coverage under paragraph (3)(A) and section 207(k)(3) of the Federal Credit Union Act, as so calculated; and

''(II) jointly submit a report to the Congress containing the amounts described in subclause (I).

''(iv) 6-MONTH IMPLEMENTATION PERIOD.—Unless an Act of Congress enacted before July 1 of the calendar year in which an adjustment is required to be calculated under clause (i) provides otherwise, the increase in the standard maximum deposit insurance amount and the standard maximum share insurance amount shall take effect on January 1 of the year immediately succeeding such calendar year.''.

(b) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—Section 11(a)(1)(D) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(D)) is amended to read as follows:

''(D) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—

''(i) PASS-THROUGH INSURANCE.—The Corporation shall provide pass-through deposit insurance for the deposits of any employee benefit plan.

''(ii) PROHIBITION ON ACCEPTANCE OF BENEFIT PLAN DEPOSITS.—An insured depository institution that is not well capitalized or adequately capitalized may not accept employee benefit plan deposits.

''(iii) DEFINITIONS.—For purposes of this subparagraph, the following definitions shall apply:

''(I) CAPITAL STANDARDS.—The terms 'well capitalized' and 'adequately capitalized' have the same meanings as in section 38.

''(II) EMPLOYEE BENEFIT PLAN.—The term 'employee benefit plan' has the same meaning as in paragraph (8)(B)(ii), and includes any eligible deferred compensation plan described in section 457 of the Internal Revenue Code of 1986.

''(III) PASS-THROUGH DEPOSIT INSURANCE.—The term 'pass-through deposit insurance' means, with respect to an employee benefit plan, deposit insurance coverage provided on a pro rata basis to the participants in the plan, in accordance with the interest of each participant.''.

(c) DOUBLING OF DEPOSIT INSURANCE FOR CERTAIN RETIREMENT ACCOUNTS.—Section 11(a)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(3)(A)) is amended by striking ''$100,000'' and inserting ''2 times the standard maximum deposit insurance amount (as determined under paragraph (1))''.

(d) INCREASED INSURANCE COVERAGE FOR MUNICIPAL DEPOSITS.—Section 11(a)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(2)) is amended—

(1) in subparagraph (A)—

(A) by moving the margins of clauses (i) through (v) 4 ems to the right;

(B) by striking, in the matter following clause (v), ''such depositor shall'' and all that follows through the period; and

(C) by striking the semicolon at the end of clause (v) and inserting a period;

(2) by striking ''(2)(A) Notwithstanding'' and all that follows through ''a depositor who is—'' and inserting the following:

''(2) MUNICIPAL DEPOSITORS.—

''(A) IN GENERAL.—Notwithstanding any limitation in this Act or in any other provision of law relating to the amount of deposit insurance available to any 1 depositor—

''(i) a municipal depositor shall, for the purpose of determining the amount of insured deposits under this subsection, be deemed to be a depositor separate and distinct from any other officer, employee, or agent of the United States or any public unit referred to in subparagraph (E); and

''(ii) except as provided in subparagraph (B), the deposits of a municipal depositor shall be insured in an amount equal to the standard maximum deposit insurance amount (as determined under paragraph (1)).

''(B) IN-STATE MUNICIPAL DEPOSITORS.—In the case of the deposits of an in-State municipal depositor described in clause (ii), (iii), (iv), or (v) of subparagraph (E) at an insured depository institution, such deposits shall be insured in an amount not to exceed the lesser of—

''(i) $2,000,000; or

''(ii) the sum of the standard maximum deposit insurance amount and 80 percent of the amount of any deposits in excess of the standard maximum deposit insurance amount.

''(C) MUNICIPAL DEPOSIT PARITY.—No State may deny to insured depository institutions within its jurisdiction the authority to accept deposits insured under this paragraph, or prohibit the making of such deposits in such institutions by any in-State municipal depositor.

''(D) IN-STATE MUNICIPAL DEPOSITOR DEFINED.—For purposes of this paragraph, the term 'in-State municipal depositor' means a municipal depositor that is located in the same State as the office or branch of the insured depository institution at which the deposits of that depositor are held.

''(E) MUNICIPAL DEPOSITOR.—In this paragraph, the term 'municipal depositor' means a depositor that is—'';

(3) by striking ''(B) The'' and inserting the following:

''(F) AUTHORITY TO LIMIT DEPOSITS.—The''; and

(4) by striking ''depositor referred to in subparagraph (A) of this paragraph'' each place such term appears and inserting ''municipal depositor''.

(e) TECHNICAL AND CONFORMING AMENDMENT RELATING TO INSURANCE OF TRUST FUNDS.—Paragraphs (1) and (3) of section 7(i) of the Federal Deposit Insurance Act (12 U.S.C. 1817(i)) are each amended by striking ''$100,000'' and inserting ''the standard maximum deposit insurance amount (as determined under section 11(a)(1))''.

(f) OTHER TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 11(m)(6) of the Federal Deposit Insurance Act (12 U.S.C. 1821(m)(6)) is amended by striking ''$100,000'' and inserting ''an amount equal to the standard maximum deposit insurance amount''.

(2) Subsection (a) of section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828(a)) is amended to read as follows:

''(a) INSURANCE LOGO.—

''(1) INSURED DEPOSITORY INSTITUTIONS.—

''(A) IN GENERAL.—Each insured depository institution shall display at each place of business maintained by that institution a sign or signs relating to the insurance of the deposits of the institution, in accordance with regulations to be prescribed by the Corporation.

''(B) STATEMENT TO BE INCLUDED.—Each sign required under subparagraph (A) shall include a statement that insured deposits are backed by the full faith and credit of the United States Government.

''(2) REGULATIONS.—The Corporation shall prescribe regulations to carry out this subsection, including regulations governing the substance of signs required by paragraph (1) and the manner of display or use of such signs.

''(3) PENALTIES.—For each day that an insured depository institution continues to violate this subsection or any regulation issued under this subsection, it shall be subject to a penalty of not more than $100, which the Corporation may recover for its use.''.

(3) Section 43(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831t(d)) is amended by striking ''$100,000'' and inserting ''an amount equal to the standard maximum deposit insurance amount''.

(4) Section 6 of the International Banking Act of 1978 (12 U.S.C. 3104) is amended—

(A) by striking ''$100,000'' each place such term appears and inserting ''an amount equal to the standard maximum deposit insurance amount''; and

(B) by adding at the end the following new subsection:

''(e) STANDARD MAXIMUM DEPOSIT INSURANCE AMOUNT DEFINED.—For purposes of this section, the term 'standard maximum deposit insurance amount' means the amount of the maximum amount of deposit insurance as determined under section 11(a)(1) of the Federal Deposit Insurance Act.''.

(g) CONFORMING CHANGE TO CREDIT UNION SHARE INSURANCE FUND.—

(1) IN GENERAL.—Section 207(k) of the Federal Credit Union Act (12 U.S.C. 1787(k)) is amended—

(A) by striking ''(k)(1)'' and all that follows through the end of paragraph (1) and inserting the following:

''(k) INSURED AMOUNTS PAYABLE.—

''(1) NET INSURED AMOUNT.—

''(A) IN GENERAL.—Subject to the provisions of paragraph (2), the net amount of share insurance payable to any member at an insured credit union shall not exceed the total amount of the shares or deposits in the name of the member (after deducting offsets), less any part thereof which is in excess of the standard maximum share insurance amount, as determined in accordance with this paragraph and paragraphs (5) and (6), and consistently with actions taken by the Federal Deposit Insurance Corporation under section 11(a) of the Federal Deposit Insurance Act.

''(B) AGGREGATION.—Determination of the net amount of share insurance under subparagraph (A), shall be in accordance with such regulations as the Board may prescribe, and, in determining the amount payable to any member, there shall be added together all accounts in the credit union maintained by that member for that member's own benefit, either in the member's own name or in the names of others.

''(C) AUTHORITY TO DEFINE THE EXTENT OF COVERAGE.—The Board may define, with such classifications and exceptions as it may prescribe, the extent of the share insurance coverage provided for member accounts, including member accounts in the name of a minor, in trust, or in joint tenancy.'';

(B) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clauses (i) through (v), by moving the margins 4 ems to the right;

(II) in the matter following clause (v), by striking ''his account'' and all that follows through the period; and

(III) by striking the semicolon at the end of clause (v) and inserting a period;

(ii) by striking ''(2)(A) Notwithstanding'' and all that follows through ''a depositor or member who is—'' and inserting the following:

''(2) MUNICIPAL DEPOSITORS OR MEMBERS.—

''(A) IN GENERAL.—Notwithstanding any limitation in this Act or in any other provision of

law relating to the amount of insurance available to any 1 depositor or member, deposits or shares of a municipal depositor or member shall be insured in an amount equal to the standard maximum share insurance amount (as determined under paragraph (5)), except as provided in subparagraph (B).

''(B) IN-STATE MUNICIPAL DEPOSITORS.—In the case of the deposits of an in-State municipal depositor described in clause (ii), (iii), (iv), or (v) of subparagraph (E) at an insured credit union, such deposits shall be insured in an amount equal to the lesser of—

''(i) $2,000,000; or

''(ii) the sum of the standard maximum deposit insurance amount and 80 percent of the amount of any deposits in excess of the standard maximum deposit insurance amount.

''(C) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as authorizing an insured credit union to accept the deposits of a municipal depositor in an amount greater than such credit union is authorized to accept under any other provision of Federal or State law.

''(D) IN-STATE MUNICIPAL DEPOSITOR DEFINED.—For purposes of this paragraph, the term 'in-State municipal depositor' means a municipal depositor that is located in the same State as the office or branch of the insured credit union at which the deposits of that depositor are held.

''(E) MUNICIPAL DEPOSITOR.—In this paragraph, the term 'municipal depositor' means a depositor that is—'';

(iii) by striking ''(B) The'' and inserting the following:

''(F) AUTHORITY TO LIMIT DEPOSITS.—The''; and

(iv) by striking ''depositor or member referred to in subparagraph (A)'' and inserting ''municipal depositor or member''; and

(C) by adding at the end the following new paragraphs:

''(4) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—

''(A) PASS-THROUGH INSURANCE.—The Administration shall provide pass-through share insurance for the deposits or shares of any employee benefit plan.

''(B) PROHIBITION ON ACCEPTANCE OF DEPOSITS.—An insured credit union that is not well capitalized or adequately capitalized may not accept employee benefit plan deposits.

''(C) DEFINITIONS.—For purposes of this paragraph, the following definitions shall apply:

''(i) CAPITAL STANDARDS.—The terms 'well capitalized' and 'adequately capitalized' have the same meanings as in section 216(c).

''(ii) EMPLOYEE BENEFIT PLAN.—The term 'employee benefit plan'—

''(I) has the meaning given to such term in section 3(3) of the Employee Retirement Income Security Act of 1974;

''(II) includes any plan described in section 401(d) of the Internal Revenue Code of 1986; and

''(III) includes any eligible deferred compensation plan described in section 457 of the Internal Revenue Code of 1986.

''(iii) PASS-THROUGH SHARE INSURANCE.—The term 'pass-through share insurance' means, with respect to an employee benefit plan, insurance coverage provided on a pro rata basis to the participants in the plan, in accordance with the interest of each participant.

''(D) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as authorizing an insured credit union to accept the deposits of an employee benefit plan in an amount greater than such credit union is authorized to accept under any other provision of Federal or State law.

''(5) STANDARD MAXIMUM SHARE INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term 'standard maximum share insurance amount' means—

''(A) until the effective date of final regulations prescribed pursuant to section 9(a)(2) of the Federal Deposit Insurance Reform Act of 2003, $100,000; and

''(B) on and after such effective date, $130,000, adjusted as provided under section 11(a)(1)(F) of the Federal Deposit Insurance Act.''.

(2) DOUBLING OF SHARE INSURANCE FOR CERTAIN RETIREMENT ACCOUNTS.—Section 207(k)(3) of the Federal Credit Union Act (12 U.S.C. 1787(k)(3)) is amended by striking ''$100,000'' and inserting ''2 times the standard maximum share insurance amount (as determined under paragraph (1))''.

(h) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date the final regulations required under section 9(a)(2) take effect.

SEC. 4. SETTING ASSESSMENTS AND REPEAL OF SPECIAL RULES RELATING TO MINIMUM ASSESSMENTS AND FREE DEPOSIT INSURANCE.

(a) SETTING ASSESSMENTS.—Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended—

(1) by striking subparagraphs (A) and (B) and inserting the following new subparagraphs:

''(A) IN GENERAL.—The Board of Directors shall set assessments for insured depository institutions in such amounts as the Board of Directors may determine to be necessary or appropriate, subject to subparagraph (D).

''(B) FACTORS TO BE CONSIDERED.—In setting assessments under subparagraph (A), the Board of Directors shall consider the following factors:

''(i) The estimated operating expenses of the Deposit Insurance Fund.

''(ii) The estimated case resolution expenses and income of the Deposit Insurance Fund.

''(iii) The projected effects of the payment of assessments on the capital and earnings of insured depository institutions.

''(iv) the risk factors and other factors taken into account pursuant to paragraph (1) under the risk-based assessment system, including the requirement under such paragraph to maintain a risk-based system.

''(v) Any other factors the Board of Directors may determine to be appropriate.''; and

(2) by inserting after subparagraph (C) the following new subparagraph:

''(D) BASE RATE FOR ASSESSMENTS.—

''(i) IN GENERAL.—In setting assessment rates pursuant to subparagraph (A), the Board of Directors shall establish a base rate of not more than 1 basis point (exclusive of any credit or dividend) for those insured depository institutions in the lowest-risk category under the risk-based assessment system established pursuant to paragraph (1). No insured depository institution shall be barred from the lowest-risk category solely because of size.

''(ii) SUSPENSION.—Clause (i) shall not apply during any period in which the reserve ratio of the Deposit Insurance Fund is less than the amount which is equal to 1.15 percent of the aggregate estimated insured deposits.''.

(b) ASSESSMENT RECORDKEEPING PERIOD SHORTENED.—Paragraph (5) of section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended to read as follows:

''(5) DEPOSITORY INSTITUTION REQUIRED TO MAINTAIN ASSESSMENT-RELATED RECORDS.—Each insured depository institution shall maintain all records that the Corporation may require for verifying the correctness of any assessment on the insured depository institution under this subsection until the later of—

''(A) the end of the 3-year period beginning on the due date of the assessment; or

''(B) in the case of a dispute between the insured depository institution and the Corporation with respect to such assessment, the date of a final determination of any such dispute.''.

(c) INCREASE IN FEES FOR LATE ASSESSMENT PAYMENTS.—Subsection (h) of section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828(h)) is amended to read as follows:

''(h) PENALTY FOR FAILURE TO TIMELY PAY ASSESSMENTS.—

''(1) IN GENERAL.—Any insured depository institution which fails or refuses to pay any assessment shall be subject to a penalty in an amount not more than 1 percent of the amount of the assessment due for each day that such violation continues.

''(2) EXCEPTION IN CASE OF DISPUTE.—Paragraph (1) shall not apply if—

''(A) the failure to pay an assessment is due to a dispute between the insured depository institution and the Corporation over the amount of such assessment; and

''(B) the insured depository institution deposits security satisfactory to the Corporation for payment upon final determination of the issue.

''(3) AUTHORITY TO MODIFY OR REMIT PENALTY.—The Corporation, in the sole discretion of the Corporation, may compromise, modify or remit any penalty which the Corporation may assess or has already assessed under paragraph (1) upon a finding that good cause prevented the timely payment of an assessment.''.

(d) ASSESSMENTS FOR LIFELINE ACCOUNTS.—

(1) IN GENERAL.—Section 232 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834) is amended by striking subsection (c).

(2) CLARIFICATION OF RATE APPLICABLE TO DEPOSITS ATTRIBUTABLE TO LIFELINE ACCOUNTS.—Section 7(b)(2)(H) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)(H)) is amended by striking ''at a rate determined in accordance with such Act'' and inserting ''at ½ the assessment rate otherwise applicable for such insured depository institution''.

(3) REGULATIONS.—Section 232(a)(1) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834(a)(1)) is amended by striking ''Board of Governors of the Federal Reserve System, and the''.

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(3)) is amended by striking the 3d sentence and inserting the following: ''Such reports of condition shall be the basis for the certified statements to be filed pursuant to subsection (c).''.

(2) Subparagraphs (B)(ii) and (C) of section 7(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)) are each amended by striking ''semiannual'' where such term appears in each such subparagraph.

(3) Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended—

(A) by striking subparagraphs (E), (F), and (G);

(B) in subparagraph (C), by striking ''semiannual''; and

(C) by redesignating subparagraph (H) (as amended by subsection (e)(2) of this section) as subparagraph (E).

(4) Section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended by striking paragraph (4) and redesignating paragraphs (5) (as amended by subsection (b) of this section), (6), and (7) as paragraphs (4), (5), and (6) respectively.

(5) Section 7(c) of the Federal Deposit Insurance Act (12 U.S.C. 1817(c)) is amended—

(A) in paragraph (1)(A), by striking ''semiannual'';

(B) in paragraph (2)(A), by striking ''semiannual''; and

(C) in paragraph (3), by striking ''semiannual period'' and inserting ''initial assessment period''.

(6) Section 8(p) of the Federal Deposit Insurance Act (12 U.S.C. 1818(p)) is amended by striking ''semiannual''.

(7) Section 8(q) of the Federal Deposit Insurance Act (12 U.S.C. 1818(q)) is amended by striking ''semiannual period'' and inserting ''assessment period''.

(8) Section 13(c)(4)(G)(ii)(II) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)(4)(G)(ii)(II)) is amended by striking ''semiannual period'' and inserting ''assessment period''.

(9) Section 232(a) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834(a)) is amended—

(A) in the matter preceding subparagraph (A) of paragraph (2), by striking ''the Board and'';

(B) in subparagraph (J) of paragraph (2), by striking ''the Board'' and inserting ''the Corporation'';

(C) by striking subparagraph (A) of paragraph (3) and inserting the following new subparagraph:

''(A) CORPORATION.—The term 'Corporation' means the Federal Deposit Insurance Corporation.''; and

(D) in subparagraph (C) of paragraph (3), by striking ''Board'' and inserting ''Corporation''.

(f) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date that the final regulations required under section 9(a)(5) take effect.

SEC. 5. REPLACEMENT OF FIXED DESIGNATED RESERVE RATIO WITH RESERVE RANGE.

(a) IN GENERAL.—Section 7(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(3)) is amended to read as follows:

''(3) DESIGNATED RESERVE RATIO.—

''(A) ESTABLISHMENT.—

''(i) IN GENERAL.—The Board of Directors shall designate, by regulation after notice and opportunity for comment, the reserve ratio applicable with respect to the Deposit Insurance Fund.

''(ii) NOT LESS THAN ANNUAL REDETERMINATION.—A determination under clause (i) shall be made by the Board of Directors at least before the beginning of each calendar year, for such calendar year, and at such other times as the Board of Directors may determine to be appropriate.

''(B) RANGE.—The reserve ratio designated by the Board of Directors for any year—

''(i) may not exceed 1.4 percent of estimated insured deposits; and

''(ii) may not be less than 1.15 percent of estimated insured deposits.

''(C) FACTORS.—In designating a reserve ratio for any year, the Board of Directors shall—

''(i) take into account the risk of losses to the Deposit Insurance Fund in such year and future years, including historic experience and potential and estimated losses from insured depository institutions;

''(ii) take into account economic conditions generally affecting insured depository institutions so as to allow the designated reserve ratio to increase during more favorable economic conditions and to decrease during less favorable economic conditions, notwithstanding the increased risks of loss that may exist during such less favorable conditions, as determined to be appropriate by the Board of Directors;

''(iii) seek to prevent sharp swings in the assessment rates for insured depository institutions; and

''(iv) take into account such other factors as the Board of Directors may determine to be appropriate, consistent with the requirements of this subparagraph.

''(D) PUBLICATION OF PROPOSED CHANGE IN RATIO.—In soliciting comment on any proposed change in the designated reserve ratio in accordance with subparagraph (A), the Board of Directors shall include in the published proposal a thorough analysis of the data and projections on which the proposal is based.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 3(y) of the Federal Deposit Insurance Act (12 U.S.C. 1813(y)) is amended—

(1) by striking ''(y) The term'' and inserting ''(y) DEFINITIONS RELATING TO DEPOSIT INSURANCE FUND.—

''(1) DEPOSIT INSURANCE FUND.—The term''; and

(2) by inserting after paragraph (1) (as so designated by paragraph (1) of this subsection) the following new paragraph:

''(2) DESIGNATED RESERVE RATIO.—The term 'designated reserve ratio' means the reserve ratio designated by the Board of Directors in accordance with section 7(b)(3).''.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date that the final regulations required under section 9(a)(1) take effect.

SEC. 6. REQUIREMENTS APPLICABLE TO THE RISK-BASED ASSESSMENT SYSTEM.

Section 7(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)) is amended by adding at the end the following new subparagraphs:

''(E) INFORMATION CONCERNING RISK OF LOSS AND ECONOMIC CONDITIONS.—

''(i) SOURCES OF INFORMATION.—For purposes of determining risk of losses at insured depository institutions and economic conditions generally affecting depository institutions, the Corporation shall collect information, as appropriate, from all sources the Board of Directors considers appropriate, such as reports of condition, inspection reports, and other information from all Federal banking agencies, any information available from State bank supervisors, State insurance and securities regulators, the Securities and Exchange Commission (including information described in section 35), the Secretary of the Treasury, the Commodity Futures Trading Commission, the Farm Credit Administration, the Federal Trade Commission, any Federal reserve bank or Federal home loan bank, and other regulators of financial institutions, and any information available from credit rating entities, and other private economic or business analysts.

''(ii) CONSULTATION WITH FEDERAL BANKING AGENCIES.—

''(I) IN GENERAL.—Except as provided in subclause (II), in assessing the risk of loss to the Deposit Insurance Fund with respect to any insured depository institution, the Corporation shall consult with the appropriate Federal banking agency of such institution.

''(II) TREATMENT ON AGGREGATE BASIS.—In the case of insured depository institutions that are well capitalized (as defined in section 38) and, in the most recent examination, were found to be well managed, the consultation under subclause (I) concerning the assessment of the risk of loss posed by such institutions may be made on an aggregate basis.

''(iii) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as providing any new authority for the Corporation to require submission of information by insured depository institutions to the Corporation.

''(F) MODIFICATIONS TO THE RISK-BASED ASSESSMENT SYSTEM ALLOWED ONLY AFTER NOTICE AND COMMENT.—In revising or modifying the risk-based assessment system at any time after the date of the enactment of the Federal Deposit Insurance Reform Act of 2003, the Board of Directors may implement such revisions or modification in final form only after notice and opportunity for comment.''.

SEC. 7. REFUNDS, DIVIDENDS, AND CREDITS FROM DEPOSIT INSURANCE FUND.

(a) IN GENERAL.—Subsection (e) of section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817(e)) is amended to read as follows:

''(e) REFUNDS, DIVIDENDS, AND CREDITS.—

''(1) REFUNDS OF OVERPAYMENTS.—In the case of any payment of an assessment by an insured depository institution in excess of the amount due to the Corporation, the Corporation may—

''(A) refund the amount of the excess payment to the insured depository institution; or

''(B) credit such excess amount toward the payment of subsequent assessments until such credit is exhausted.

''(2) DIVIDENDS FROM EXCESS AMOUNTS IN DEPOSIT INSURANCE FUND.—

''(A) RESERVE RATIO IN EXCESS OF 1.4 PERCENT OF ESTIMATED INSURED DEPOSITS.—Whenever the reserve ratio of the Deposit Insurance Fund exceeds 1.4 percent of estimated insured deposits, the Corporation shall declare the amount in the Fund in excess of the amount required to maintain the reserve ratio at 1.4 percent of estimated insured deposits, as dividends to be paid to insured depository institutions.

''(B) RESERVE RATIO EQUAL TO OR IN EXCESS OF 1.35 PERCENT OF ESTIMATED INSURED DEPOSITS AND NOT MORE THAN 1.4 PERCENT.—Whenever the reserve ratio of the Deposit Insurance Fund equals or exceeds 1.35 percent of estimated insured deposits and is not more than 1.4 percent of such deposits, the Corporation shall declare the amount in the Fund that is equal to 50 percent of the amount in excess of the amount required to maintain the reserve ratio at 1.35 percent of the estimated insured deposits as dividends to be paid to insured depository institutions.

''(C) BASIS FOR DISTRIBUTION OF DIVIDENDS.—

''(i) IN GENERAL.—Solely for the purposes of dividend distribution under this paragraph and credit distribution under paragraph (3)(B), the Corporation shall determine each insured depository institution's relative contribution to the Deposit Insurance Fund (or any predecessor deposit insurance fund) for calculating such institution's share of any dividend or credit declared under this paragraph or paragraph (3)(B), taking into account the factors described in clause (ii).

''(ii) FACTORS FOR DISTRIBUTION.—In implementing this paragraph and paragraph (3)(B) in accordance with regulations, the Corporation shall take into account the following factors:

''(I) The ratio of the assessment base of an insured depository institution (including any predecessor) on December 31, 1996, to the assessment base of all eligible insured depository institutions on that date.

''(II) The total amount of assessments paid on or after January 1, 1997, by an insured depository institution (including any predecessor) to the Deposit Insurance Fund (and any predecessor deposit insurance fund).

''(III) That portion of assessments paid by an insured depository institution (including any predecessor) that reflects higher levels of risk assumed by such institution.

''(IV) Such other factors as the Corporation may determine to be appropriate.

''(D) NOTICE AND OPPORTUNITY FOR COMMENT.—The Corporation shall prescribe by regulation, after notice and opportunity for comment, the method for the calculation, declaration, and payment of dividends under this paragraph.

''(3) CREDIT POOL.—

''(A) ONE-TIME CREDIT BASED ON TOTAL ASSESSMENT BASE AT YEAR-END 1996.—

''(i) IN GENERAL.—Before the end of the 270-day period beginning on the date of the enactment of the Federal Deposit Insurance Reform Act of 2003, the Board of Directors shall, by regulation, provide for a credit to each eligible insured depository institution, based on the assessment base of the institution (including any predecessor institution) on December 31, 1996, as compared to the combined aggregate assessment base of all eligible insured depository institutions, taking into account such factors as the Board of Directors may determine to be appropriate.

''(ii) CREDIT LIMIT.—The aggregate amount of credits available under clause (i) to all eligible insured depository institutions shall equal the amount that the Corporation could collect if the Corporation imposed an assessment of 12 basis points on the combined assessment base of the Bank Insurance Fund and the Savings Association Insurance Fund as of December 31, 2001.

''(iii) ELIGIBLE INSURED DEPOSITORY INSTITUTION DEFINED.—For purposes of this paragraph, the term 'eligible insured depository institution' means any insured depository institution that—

''(I) was in existence on December 31, 1996, and paid a deposit insurance assessment prior to that date; or

''(II) is a successor to any insured depository institution described in subclause (II).

''(iv) APPLICATION OF CREDITS.—

''(I) IN GENERAL.—The amount of a credit to any eligible insured depository institution under this paragraph shall be applied by the Corporation, subject to subsection (b)(3)(e), to the assessments imposed on such institution under subsection (b) that become due for assessment periods beginning after the effective date of regulations prescribed under clause (i).

''(II) REGULATIONS.—The regulations prescribed under clause (i) shall establish the qualifications and procedures governing the application of assessment credits pursuant to subclause (I).

''(v) LIMITATION ON AMOUNT OF CREDIT FOR CERTAIN DEPOSITORY INSTITUTIONS.—In the case of an insured depository institution that exhibits financial, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory, or is not adequately capitalized (as defined in section 38) at the beginning of an assessment period, the amount of any credit allowed under this paragraph against the assessment on that depository institution for such period may not exceed the amount calculated by applying to that depository institution the average assessment rate on all insured depository institutions for such assessment period.

''(vi) PREDECESSOR DEFINED.—For purposes of this paragraph, the term 'predecessor', when used with respect to any insured depository institution, includes any other insured depository institution acquired by or merged with such insured depository institution.

''(B) ON-GOING CREDIT POOL.—

''(i) IN GENERAL.—In addition to the credit provided pursuant to subparagraph (A) and subject to the limitation contained in clause (v) of such subparagraph, the Corporation shall, by regulation, establish an on-going system of credits to be applied against future assessments under subsection (b)(1) on the same basis as the dividends provided under paragraph (2)(C).

''(ii) LIMITATION ON CREDITS UNDER CERTAIN CIRCUMSTANCES.—No credits may be awarded by the Corporation under this subparagraph during any period in which—

''(I) the reserve ratio of the Deposit Insurance Fund is less than the designated reserve ratio of such Fund; or

''(II) the reserve ratio of the Fund is less than 1.25 percent of the amount of estimated insured deposits.

''(iii) CRITERIA FOR DETERMINATION.—In determining the amounts of any assessment credits under this subparagraph, the Board of Directors shall take into account the factors for designating the reserve ratio under subsection (b)(3) and the factors for setting assessments under subsection (b)(2)(B).

''(4) ADMINISTRATIVE REVIEW.—

''(A) IN GENERAL.—The regulations prescribed under paragraph (2)(D) and subparagraphs (A) and (B) of paragraph (3) shall include provisions allowing an insured depository institution a reasonable opportunity to challenge administratively the amount of the credit or dividend determined under paragraph (2) or (3) for such institution.

''(B) ADMINISTRATIVE REVIEW.—Any review under subparagraph (A) of any determination of the Corporation under paragraph (2) or (3) shall be final and not subject to judicial review.''.

(b) DEFINITION OF RESERVE RATIO.—Section 3(y) of the Federal Deposit Insurance Act (12 U.S.C. 1813(y)) (as amended by section 5(b) of this Act) is amended by adding at the end the following new paragraph:

''(3) RESERVE RATIO.—The term 'reserve ratio', when used with regard to the Deposit Insurance Fund other than in connection with a reference to the designated reserve ratio, means the ratio of the net worth of the Deposit Insurance Fund to the value of the aggregate estimated insured deposits.''.

SEC. 8. DEPOSIT INSURANCE FUND RESTORATION PLANS.

Section 7(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(3)) (as amended by section 5(a) of this Act) is amended by adding at the end the following new subparagraph:

''(E) DIF RESTORATION PLANS.—

''(i) IN GENERAL.—Whenever—

''(I) the Corporation projects that the reserve ratio of the Deposit Insurance Fund will, within 6 months of such determination, fall below the minimum amount specified in subparagraph (B)(ii) for the designated reserve ratio; or

''(II) the reserve ratio of the Deposit Insurance Fund actually falls below the minimum amount specified in subparagraph (B)(ii) for the designated reserve ratio without any determination under subclause (I) having been made,

the Corporation shall establish and implement a Deposit Insurance Fund restoration plan within 90 days that meets the requirements of clause (ii) and such other conditions as the Corporation determines to be appropriate.

''(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 10-year period beginning upon the implementation of the plan.

''(iii) RESTRICTION ON ASSESSMENT CREDITS.—As part of any restoration plan under this subparagraph, the Corporation may elect to restrict the application of assessment credits provided under subsection (e)(3) for any period that the plan is in effect.

''(iv) LIMITATION ON RESTRICTION.—Notwithstanding clause (iii), while any restoration plan under this subparagraph is in effect, the Corporation shall apply credits provided to an insured depository institution under subsection (e)(3) against any assessment imposed on the institution for any assessment period in an amount equal to the lesser of—

''(I) the amount of the assessment; or

''(II) the amount equal to 3 basis points of the institution's assessment base.

''(v) TRANSPARENCY.—Not more than 30 days after the Corporation establishes and implements a restoration plan under clause (i), the Corporation 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.''.

SEC. 9. REGULATIONS REQUIRED.

(a) IN GENERAL.—Not later than 270 days after the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation shall prescribe final regulations, after notice and opportunity for comment—

(1) designating the reserve ratio for the Deposit Insurance Fund in accordance with section 7(b)(3) of the Federal Deposit Insurance Act (as amended by section 5 of this Act);

(2) implementing increases in deposit insurance coverage in accordance with the amendments made by section 3 of this Act;

(3) implementing the dividend requirement under section 7(e)(2) of the Federal Deposit Insurance Act (as amended by section 7 of this Act);

(4) implementing the 1-time assessment credit to certain insured depository institutions in accordance with section 7(e)(3) of the Federal Deposit Insurance Act, as amended by section 7 of this Act, including the qualifications and procedures under which the Corporation would apply assessment credits; and

(5) providing for assessments under section 7(b) of the Federal Deposit Insurance Act, as amended by this Act.

(b) RULE OF CONSTRUCTION.—No provision of this Act or any amendment made by this Act shall be construed as affecting the authority of the Corporation to set or collect deposit insurance assessments before the effective date of the final regulations prescribed under subsection (a).

SEC. 10. STUDIES OF FDIC STRUCTURE AND EXPENSES AND CERTAIN ACTIVITIES AND FURTHER POSSIBLE CHANGES TO DEPOSIT INSURANCE SYSTEM.

(a) STUDY BY COMPTROLLER GENERAL.—

(1) STUDY REQUIRED.—The Comptroller General shall conduct a study of the following issues:

(A) The efficiency and effectiveness of the administration of the prompt corrective action program under section 38 of the Federal Deposit Insurance Act by the Federal banking agencies (as defined in section 3 of such Act), including the degree of effectiveness of such agencies in identifying troubled depository institutions and taking effective action with respect to such institutions, and the degree of accuracy of the risk assessments made by the Corporation.

(B) The appropriateness of the organizational structure of the Federal Deposit Insurance Corporation for the mission of the Corporation taking into account—

(i) the current size and complexity of the business of insured depository institutions (as such term is defined in section 3 of the Federal Deposit Insurance Act);

(ii) the extent to which the organizational structure contributes to or reduces operational inefficiencies that increase operational costs; and

(iii) the effectiveness of internal controls.

(2) REPORT TO THE CONGRESS.—The Comptroller General shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of this Act containing the findings and conclusions of the Comptroller General with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Comptroller General may determine to be appropriate.

(b) INTERNAL STUDY BY THE FDIC.—

(1) STUDY REQUIRED.—Concurrently with the study required to be conducted by the Comptroller General under subsection (a), the Federal Deposit Insurance Corporation shall conduct an internal study of the same conditions and factors included in the study under subsection (a).

(2) REPORT TO THE CONGRESS.—The Federal Deposit Insurance Corporation shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of this Act containing the findings and conclusions of the Corporation with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Board of Directors of the Corporation may determine to be appropriate.

(c) STUDY OF FURTHER POSSIBLE CHANGES TO DEPOSIT INSURANCE SYSTEM.—

(1) STUDY REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation and the National Credit Union Administration Board shall each conduct a study of the following:

(A) The feasibility of establishing a voluntary deposit insurance system for deposits in excess of the maximum amount of deposit insurance for any depositor and the potential benefits and the potential adverse consequences that may result from the establishment of any such system.

(B) The feasibility of privatizing all deposit insurance at insured depository institutions and insured credit unions.

(2) REPORT.—Before the end of the 1-year period beginning on the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation and the National Credit Union Administration Board shall each submit a report to the Congress on the study required under paragraph (1) containing the findings and conclusions of the reporting agency together with such recommendations for legislative or administrative changes as the agency may determine to be appropriate.

(d) STUDY REGARDING APPROPRIATE DEPOSIT BASE IN DESIGNATING RESERVE RATIO.—

(1) STUDY REQUIRED.—The Federal Deposit Insurance Corporation shall conduct a study of the feasibility of using actual domestic deposits rather than estimated insured deposits in calculating the reserve ratio of the Deposit Insurance Fund and designating a reserve ratio for such Fund.

(2) REPORT.—The Federal Deposit Insurance Corporation shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of this Act containing the findings and conclusions of the Corporation with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Board of Directors of the Corporation may determine to be appropriate.

(e) STUDY OF RESERVE METHODOLOGY AND ACCOUNTING FOR LOSS.—

(1) STUDY REQUIRED.—The Federal Deposit Insurance Corporation, in consultation with the Comptroller General, shall conduct a study of the reserve methodology and loss accounting used by the Corporation during the period beginning on January 1, 1992, and ending December 31, 2002, with respect to insured depository institutions in a troubled condition (as defined in the regulations prescribed pursuant to section 32(f) of the Federal Deposit Insurance Act).

(2) FACTORS TO BE INCLUDED.—In conducting the study pursuant to paragraph (1), the Federal Deposit Insurance Corporation shall—

(A) consider the overall effectiveness and accuracy of the methodology used by the Corporation for establishing and maintaining reserves and estimating and accounting for losses at insured depository institutions, during the period described in such paragraph;

(B) consider the appropriateness and reliability of information and criteria used by the Corporation in determining—

(i) whether an insured depository institution was in a troubled condition; and

(ii) the amount of any loss anticipated at such institution;

(C) analyze the actual historical loss experience over the period described in paragraph (1) and the causes of the exceptionally high rate of losses experienced by the Corporation in the final 3 years of that period; and

(D) rate the efforts of the Corporation to reduce losses in such 3-year period to minimally acceptable levels and to historical levels.

(3) REPORT REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation shall submit a report to the Congress before the end of the 6-month period beginning on the date of the enactment of this Act, containing the findings and conclusions of the Corporation, in consultation with the Comptroller General, with respect to the study required under paragraph (1), together with such recommendations for legislative or administrative action as the Board of Directors may determine to be appropriate.

SEC. 11. BI-ANNUAL FDIC SURVEY AND REPORT ON INCREASING THE DEPOSIT BASE BY ENCOURAGING USE OF DEPOSITORY INSTITUTIONS BY THE UNBANKED.

The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended by adding at the end the following new section:

"SEC. 49. BI-ANNUAL FDIC SURVEY AND REPORT ON ENCOURAGING USE OF DEPOSITORY INSTITUTIONS BY THE UNBANKED.

"(a) SURVEY REQUIRED.—

"(1) IN GENERAL.—The Corporation shall conduct a bi-annual survey on efforts by insured depository institutions to bring those individuals and families who have rarely, if ever, held a checking account, a savings account or other type of transaction or check cashing account at an insured depository institution (hereafter in this section referred to as the 'unbanked') into the conventional finance system.

"(2) FACTORS AND QUESTIONS TO CONSIDER.—In conducting the survey, the Corporation shall take the following factors and questions into account:

"(A) To what extent do insured depository institutions promote financial education and financial literacy outreach?

"(B) Which financial education efforts appear to be the most effective in bringing 'unbanked' individuals and families into the conventional finance system?

"(C) What efforts are insured institutions making at converting 'unbanked' money order, wire transfer, and international remittance customers into conventional account holders?

"(D) What cultural, language and identification issues as well as transaction costs appear to most prevent 'unbanked' individuals from establishing conventional accounts?

"(E) What is a fair estimate of the size and worth of the 'unbanked' market in the United States?

"(b) REPORTS.—The Chairperson of the Board of Directors shall submit a bi-annual report to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate containing the Corporation's findings and conclusions with respect to the survey conducted pursuant to subsection (a), together with such recommendations for legislative or administrative action as the Chairperson may determine to be appropriate.".

SEC. 12. TECHNICAL AND CONFORMING AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT RELATING TO THE MERGER OF THE BIF AND SAIF.

(a) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended—

(1) in section 3 (12 U.S.C. 1813)—

(A) by striking subparagraph (B) of subsection (a)(1) and inserting the following new subparagraph:

"(B) includes any former savings association."; and

(B) by striking paragraph (1) of subsection (y) (as so designated by section 5(b) of this Act) and inserting the following new paragraph:

"(1) DEPOSIT INSURANCE FUND.—The term 'Deposit Insurance Fund' means the Deposit Insurance Fund established under section 11(a)(4).";

(2) in section 5(b)(5) (12 U.S.C. 1815(b)(5)), by striking "the Bank Insurance Fund or the Savings Association Insurance Fund," and inserting "the Deposit Insurance Fund,";

(3) in section 5(c)(4), by striking "deposit insurance fund" and inserting "Deposit Insurance Fund";

(4) in section 5(d) (12 U.S.C. 1815(d)), by striking paragraphs (2) and (3) (and any funds resulting from the application of such paragraph (2) prior to its repeal shall be deposited into the general fund of the Deposit Insurance Fund);

(5) in section 5(d)(1) (12 U.S.C. 1815(d)(1))—

(A) in subparagraph (A), by striking "reserve ratios in the Bank Insurance Fund and the Savings Association Insurance Fund as required by section 7" and inserting "the reserve ratio of the Deposit Insurance Fund";

(B) by striking subparagraph (B) and inserting the following:

"(2) FEE CREDITED TO THE DEPOSIT INSURANCE FUND.—The fee paid by the depository institution under paragraph (1) shall be credited to the Deposit Insurance Fund.";

(C) by striking "(1) UNINSURED INSTITUTIONS.—"; and

(D) by redesignating subparagraphs (A) and (C) as paragraphs (1) and (3), respectively, and moving the left margins 2 ems to the left;

(6) in section 5(e) (12 U.S.C. 1815(e))—

(A) in paragraph (5)(A), by striking "Bank Insurance Fund or the Savings Association Insurance Fund" and inserting "Deposit Insurance Fund";

(B) by striking paragraph (6); and

(C) by redesignating paragraphs (7), (8), and (9) as paragraphs (6), (7), and (8), respectively;

(7) in section 6(5) (12 U.S.C. 1816(5)), by striking "Bank Insurance Fund or the Savings Association Insurance Fund" and inserting "Deposit Insurance Fund";

(8) in section 7(b) (12 U.S.C. 1817(b))—

(A) in paragraph (1)(C), by striking "deposit insurance fund" each place that term appears and inserting "Deposit Insurance Fund";

(B) in paragraph (1)(D), by striking "each deposit insurance fund" and inserting "the Deposit Insurance Fund"; and

(C) in paragraph (5) (as so redesignated by section 4(e)(4) of this Act)—

(i) by striking "any such assessment" and inserting "any such assessment is necessary";

(ii) by striking subparagraph (B);

(iii) in subparagraph (A)—

(I) by striking "(A) is necessary—";

(II) by striking "Bank Insurance Fund members" and inserting "insured depository institutions"; and

(III) by redesignating clauses (i), (ii), and (iii) as subparagraphs (A), (B), and (C), respectively, and moving the margins 2 ems to the left; and

(iv) in subparagraph (C) (as so redesignated)—

(I) by inserting "that" before "the Corporation"; and

(II) by striking "; and" and inserting a period;

(9) in section 7(j)(7)(F) (12 U.S.C. 1817(j)(7)(F)), by striking "Bank Insurance Fund or the Savings Association Insurance Fund" and inserting "Deposit Insurance Fund";

(10) in section 8(t)(2)(C) (12 U.S.C. 1818(t)(2)(C)), by striking "deposit insurance fund" and inserting "Deposit Insurance Fund";

(11) in section 11 (12 U.S.C. 1821)—

(A) by striking "deposit insurance fund" each place that term appears and inserting "Deposit Insurance Fund";

(B) by striking paragraph (4) of subsection (a) and inserting the following new paragraph:

"(4) DEPOSIT INSURANCE FUND.—

"(A) ESTABLISHMENT.—There is established the Deposit Insurance Fund, which the Corporation shall—

"(i) maintain and administer;

"(ii) use to carry out its insurance purposes, in the manner provided by this subsection; and

"(iii) invest in accordance with section 13(a).

"(B) USES.—The Deposit Insurance Fund shall be available to the Corporation for use with respect to insured depository institutions the deposits of which are insured by the Deposit Insurance Fund.

"(C) LIMITATION ON USE.—Notwithstanding any provision of law other than section 13(c)(4)(G), the Deposit Insurance Fund shall not be used in any manner to benefit any shareholder or affiliate (other than an insured depository institution that receives assistance in accordance with the provisions of this Act) of—

"(i) any insured depository institution for which the Corporation has been appointed conservator or receiver, in connection with any type of resolution by the Corporation;

"(ii) any other insured depository institution in default or in danger of default, in connection with any type of resolution by the Corporation; or

"(iii) any insured depository institution, in connection with the provision of assistance under this section or section 13 with respect to such institution, except that this clause shall not prohibit any assistance to any insured depository institution that is not in default, or that is not in danger of default, that is acquiring (as defined in section 13(f)(8)(B)) another insured depository institution.

"(D) DEPOSITS.—All amounts assessed against insured depository institutions by the Corporation shall be deposited into the Deposit Insurance Fund.";

(C) by striking paragraphs (5), (6), and (7) of subsection (a); and

(D) by redesignating paragraph (8) of subsection (a) as paragraph (5);

(12) in section 11(f)(1) (12 U.S.C. 1821(f)(1)), by striking ", except that—" and all that follows

through the end of the paragraph and inserting a period;

(13) in section 11(i)(3) (12 U.S.C. 1821(i)(3))—

(A) by striking subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (B); and

(C) in subparagraph (B) (as so redesignated), by striking ''subparagraphs (A) and (B)'' and inserting ''subparagraph (A)'';

(14) in section 11(p)(2)(B) (12 U.S.C. 1821(p)(2)(B)), by striking ''institution, any'' and inserting ''institution, the'';

(15) in section 11A(a) (12 U.S.C. 1821a(a))—

(A) in paragraph (2), by striking ''LIABILITIES.—'' and all that follows through ''Except'' and inserting ''LIABILITIES.—Except'';

(B) by striking paragraph (2)(B); and

(C) in paragraph (3), by striking ''the Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''the Deposit Insurance Fund'';

(16) in section 11A(b) (12 U.S.C. 1821a(b)), by striking paragraph (4);

(17) in section 11A(f) (12 U.S.C. 1821a(f)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(18) in section 12(f)(4)(E)(iv) (12 U.S.C. 1822(f)(4)(E)(iv)), by striking ''Federal deposit insurance funds'' and inserting ''the Deposit Insurance Fund (or any predecessor deposit insurance fund)'';

(19) in section 13 (12 U.S.C. 1823)—

(A) by striking ''deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) in subsection (a)(1), by striking ''Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''Deposit Insurance Fund'';

(C) in subsection (c)(4)(E)—

(i) in the subparagraph heading, by striking ''FUNDS'' and inserting ''FUND''; and

(ii) in clause (i), by striking ''any insurance fund'' and inserting ''the Deposit Insurance Fund'';

(D) in subsection (c)(4)(G)(ii)—

(i) by striking ''appropriate insurance fund'' and inserting ''Deposit Insurance Fund'';

(ii) by striking ''the members of the insurance fund (of which such institution is a member)'' and inserting ''insured depository institutions'';

(iii) by striking ''each member's'' and inserting ''each insured depository institution's''; and

(iv) by striking ''the member's'' each place that term appears and inserting ''the institution's'';

(E) in subsection (c), by striking paragraph (11);

(F) in subsection (h), by striking ''Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(G) in subsection (k)(4)(B)(i), by striking ''Savings Association Insurance Fund member'' and inserting ''savings association''; and

(H) in subsection (k)(5)(A), by striking ''Savings Association Insurance Fund members'' and inserting ''savings associations'';

(20) in section 14(a) (12 U.S.C. 1824(a)), in the 5th sentence—

(A) by striking ''Bank Insurance Fund or the Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(B) by striking ''each such fund'' and inserting ''the Deposit Insurance Fund'';

(21) in section 14(b) (12 U.S.C. 1824(b)), by striking ''Bank Insurance Fund or Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(22) in section 14(c) (12 U.S.C. 1824(c)), by striking paragraph (3);

(23) in section 14(d) (12 U.S.C. 1824(d))—

(A) by striking ''Bank Insurance Fund member'' each place that term appears and inserting ''insured depository institution'';

(B) by striking ''Bank Insurance Fund members'' each place that term appears and inserting ''insured depository institutions'';

(C) by striking ''Bank Insurance Fund'' each place that term appears (other than in connection with a reference to a term amended by subparagraph (A) or (B) of this paragraph) and inserting ''Deposit Insurance Fund'';

(D) by striking the subsection heading and inserting the following:

''(d) BORROWING FOR THE DEPOSIT INSURANCE FUND FROM INSURED DEPOSITORY INSTITUTIONS.—'';

(E) in paragraph (3), in the paragraph heading, by striking ''BIF'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(F) in paragraph (5), in the paragraph heading, by striking ''BIF MEMBERS'' and inserting ''INSURED DEPOSITORY INSTITUTIONS'';

(24) in section 14 (12 U.S.C. 1824), by adding at the end the following new subsection:

''(e) BORROWING FOR THE DEPOSIT INSURANCE FUND FROM FEDERAL HOME LOAN BANKS.—

''(1) IN GENERAL.—The Corporation may borrow from the Federal home loan banks, with the concurrence of the Federal Housing Finance Board, such funds as the Corporation considers necessary for the use of the Deposit Insurance Fund.

''(2) TERMS AND CONDITIONS.—Any loan from any Federal home loan bank under paragraph (1) to the Deposit Insurance Fund shall—

''(A) bear a rate of interest of not less than the current marginal cost of funds to that bank, taking into account the maturities involved;

''(B) be adequately secured, as determined by the Federal Housing Finance Board;

''(C) be a direct liability of the Deposit Insurance Fund; and

''(D) be subject to the limitations of section 15(c).'';

(25) in section 15(c)(5) (12 U.S.C. 1825(c)(5))—

(A) by striking ''the Bank Insurance Fund or Savings Association Insurance Fund, respectively'' each place that term appears and inserting ''the Deposit Insurance Fund''; and

(B) in subparagraph (B), by striking ''the Bank Insurance Fund or the Savings Association Insurance Fund, respectively'' and inserting ''the Deposit Insurance Fund'';

(26) in section 17(a) (12 U.S.C. 1827(a))—

(A) in the subsection heading, by striking ''BIF, SAIF,'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(B) in paragraph (1)—

(i) by striking ''the Bank Insurance Fund, the Savings Association Insurance Fund,'' each place that term appears and inserting ''the Deposit Insurance Fund''; and

(ii) in subparagraph (D), by striking ''each insurance fund'' and inserting ''the Deposit Insurance Fund'';

(27) in section 17(d) (12 U.S.C. 1827(d)), by striking '', the Bank Insurance Fund, the Savings Association Insurance Fund,'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(28) in section 18(m)(3) (12 U.S.C. 1828(m)(3))—

(A) by striking ''Savings Association Insurance Fund'' in the 1st sentence of subparagraph (A) and inserting ''Deposit Insurance Fund'';

(B) by striking ''Savings Association Insurance Fund member'' in the last sentence of subparagraph (A) and inserting ''savings association''; and

(C) by striking ''Savings Association Insurance Fund or the Bank Insurance Fund'' in subparagraph (C) and inserting ''Deposit Insurance Fund'';

(29) in section 18(o) (12 U.S.C. 1828(o)), by striking ''deposit insurance funds'' and ''deposit insurance fund'' each place those terms appear and inserting ''Deposit Insurance Fund'';

(30) in section 18(p) (12 U.S.C. 1828(p)), by striking ''deposit insurance funds'' and inserting ''Deposit Insurance Fund'';

(31) in section 24 (12 U.S.C. 1831a)—

(A) in subsections (a)(1) and (d)(1)(A), by striking ''appropriate deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) in subsection (e)(2)(A), by striking ''risk to'' and all that follows through the period and inserting ''risk to the Deposit Insurance Fund.''; and

(C) in subsections (e)(2)(B)(ii) and (f)(6)(B), by striking ''the insurance fund of which such bank is a member'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(32) in section 28 (12 U.S.C. 1831e), by striking ''affected deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(33) by striking section 31 (12 U.S.C. 1831h);

(34) in section 36(i)(3) (12 U.S.C. 1831m(i)(3)), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(35) in section 37(a)(1)(C) (12 U.S.C. 1831n(a)(1)(C)), by striking ''insurance funds'' and inserting ''Deposit Insurance Fund'';

(36) in section 38 (12 U.S.C. 1831o), by striking ''the deposit insurance fund'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(37) in section 38(a) (12 U.S.C. 1831o(a)), in the subsection heading, by striking ''FUNDS'' and inserting ''FUND'';

(38) in section 38(k) (12 U.S.C. 1831o(k))—

(A) in paragraph (1), by striking ''a deposit insurance fund'' and inserting ''the Deposit Insurance Fund'';

(B) in paragraph (2), by striking ''A deposit insurance fund'' and inserting ''The Deposit Insurance Fund''; and

(C) in paragraphs (2)(A) and (3)(B), by striking ''the deposit insurance fund's outlays'' each place that term appears and inserting ''the outlays of the Deposit Insurance Fund''; and

(39) in section 38(o) (12 U.S.C. 1831o(o))—

(A) by striking ''ASSOCIATIONS.—'' and all that follows through ''Subsections (e)(2)'' and inserting ''ASSOCIATIONS.—Subsections (e)(2)'';

(B) by redesignating subparagraphs (A), (B), and (C) as paragraphs (1), (2), and (3), respectively, and moving the margins 2 ems to the left; and

(C) in paragraph (1) (as so redesignated), by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively, and moving the margins 2 ems to the left.

(b) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

SEC. 13. OTHER TECHNICAL AND CONFORMING AMENDMENTS RELATING TO THE MERGER OF THE BIF AND SAIF.

(a) SECTION 5136 OF THE REVISED STATUTES.—The paragraph designated the ''Eleventh'' of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24) is amended in the 5th sentence, by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(b) INVESTMENTS PROMOTING PUBLIC WELFARE; LIMITATIONS ON AGGREGATE INVESTMENTS.—The 23d undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 338a) is amended in the 4th sentence, by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(c) ADVANCES TO CRITICALLY UNDERCAPITALIZED DEPOSITORY INSTITUTIONS.—Section 10B(b)(3)(A)(ii) of the Federal Reserve Act (12 U.S.C. 347b(b)(3)(A)(ii)) is amended by striking ''any deposit insurance fund in'' and inserting ''the Deposit Insurance Fund of''.

(d) AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section 255(g)(1)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(A)) is amended—

(1) by striking ''Bank Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(2) by striking ''Federal Deposit Insurance Corporation, Savings Association Insurance Fund (51–4066–0–3–373);''.

(e) AMENDMENTS TO THE FEDERAL HOME LOAN BANK ACT.—The Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amended—

(1) in section 11(k) (12 U.S.C. 1431(k))—

(A) in the subsection heading, by striking ''SAIF'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(B) by striking ''Savings Association Insurance Fund'' each place such term appears and inserting ''Deposit Insurance Fund'';

(2) in section 21 (12 U.S.C. 1441)—

(A) in subsection (f)(2), by striking '', except that'' and all that follows through the end of the paragraph and inserting a period; and

(B) in subsection (k), by striking paragraph (4);

(3) in section 21A(b)(4)(B) (12 U.S.C. 1441a(b)(4)(B)), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(4) in section 21A(b)(6)(B) (12 U.S.C. 1441a(b)(6)(B))—

(A) in the subparagraph heading, by striking ''SAIF-INSURED BANKS'' and inserting ''CHARTER CONVERSIONS''; and

(B) by striking ''Savings Association Insurance Fund member'' and inserting ''savings association'';

(5) in section 21A(b)(10)(A)(iv)(II) (12 U.S.C. 1441a(b)(10)(A)(iv)(II)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(6) in section 21A(n)(6)(E)(iv) (12 U.S.C. 1441(n)(6)(E)(iv)), by striking ''Federal deposit insurance funds'' and inserting ''the Deposit Insurance Fund'';

(7) in section 21B(e) (12 U.S.C. 1441b(e))—

(A) in paragraph (5), by inserting ''as of the date of funding'' after ''Savings Association Insurance Fund members'' each place that term appears; and

(B) by striking paragraphs (7) and (8); and

(8) in section 21B(k) (12 U.S.C. 1441b(k))—

(A) by inserting before the colon '', the following definitions shall apply'';

(B) by striking paragraph (8); and

(C) by redesignating paragraphs (9) and (10) as paragraphs (8) and (9), respectively.

(f) AMENDMENTS TO THE HOME OWNERS' LOAN ACT.—The Home Owners' Loan Act (12 U.S.C. 1461 et seq.) is amended—

(1) in section 5 (12 U.S.C. 1464)—

(A) in subsection (c)(5)(A), by striking ''that is a member of the Bank Insurance Fund'';

(B) in subsection (c)(6), by striking ''As used in this subsection—'' and inserting ''For purposes of this subsection, the following definitions shall apply:'';

(C) in subsection (o)(1), by striking ''that is a Bank Insurance Fund member'';

(D) in subsection (o)(2)(A), by striking ''a Bank Insurance Fund member until such time as it changes its status to a Savings Association Insurance Fund member'' and inserting ''insured by the Deposit Insurance Fund'';

(E) in subsection (t)(5)(D)(iii)(II), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(F) in subsection (t)(7)(C)(i)(I), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''; and

(G) in subsection (v)(2)(A)(i), by striking ''the Savings Association Insurance Fund'' and inserting ''or the Deposit Insurance Fund''; and

(2) in section 10 (12 U.S.C. 1467a)—

(A) in subsection (c)(6)(D), by striking ''this title'' and inserting ''this Act'';

(B) in subsection (e)(1)(B), by striking ''Savings Association Insurance Fund or Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(C) in subsection (e)(2), by striking ''Savings Association Insurance Fund or the Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(D) in subsection (e)(4)(B), by striking ''subsection (1)'' and inserting ''subsection (l)'';

(E) in subsection (g)(3)(A), by striking ''(5) of this section'' and inserting ''(5) of this subsection'';

(F) in subsection (i), by redesignating paragraph (5) as paragraph (4);

(G) in subsection (m)(3), by striking subparagraph (E) and by redesignating subparagraphs (F), (G), and (H) as subparagraphs (E), (F), and (G), respectively;

(H) in subsection (m)(7)(A), by striking ''during period'' and inserting ''during the period''; and

(I) in subsection (o)(3)(D), by striking ''sections 5(s) and (t) of this Act'' and inserting ''subsections (s) and (t) of section 5''.

(g) AMENDMENTS TO THE NATIONAL HOUSING ACT.—The National Housing Act (12 U.S.C. 1701 et seq.) is amended—

(1) in section 317(b)(1)(B) (12 U.S.C. 1723i(b)(1)(B)), by striking ''Bank Insurance Fund for banks or through the Savings Association Insurance Fund for savings associations'' and inserting ''Deposit Insurance Fund''; and

(2) in section 536(b)(1)(B)(ii) (12 U.S.C. 1735f–14(b)(1)(B)(ii)), by striking ''Bank Insurance Fund for banks and through the Savings Association Insurance Fund for savings associations'' and inserting ''Deposit Insurance Fund''.

(h) AMENDMENTS TO THE FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT OF 1989.—The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note) is amended—

(1) in section 951(b)(3)(B) (12 U.S.C. 1833a(b)(3)(B)), by inserting ''and after the merger of such funds, the Deposit Insurance Fund,'' after ''the Savings Association Insurance Fund,''; and

(2) in section 1112(c)(1)(B) (12 U.S.C. 3341(c)(1)(B)), by striking ''Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''Deposit Insurance Fund''.

(i) AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended—

(1) in section 2(j)(2) (12 U.S.C. 1841(j)(2)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(2) in section 3(d)(1)(D)(iii) (12 U.S.C. 1842(d)(1)(D)(iii)), by striking ''appropriate deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(j) AMENDMENTS TO THE GRAMM-LEACH-BLILEY ACT.—Section 114 of the Gramm-Leach-Bliley Act (12 U.S.C. 1828a) is amended by striking ''any Federal deposit insurance fund'' in subsection (a)(1)(B), paragraphs (2)(B) and (4)(B) of subsection (b), and subsection (c)(1)(B), each place that term appears and inserting ''the Deposit Insurance Fund''.

(k) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

The CHAIRMAN. No amendment to the committee amendment in the nature of a substitute is in order except the following amendments printed in the CONGRESSIONAL RECORD: amendment No. 1 by the gentleman from California (Mr. OSE); and amendment No. 2 by the gentleman from California (Mr. ROHRABACHER). Each amendment may be offered only in the order specified, by the Member designated or his designee, shall be considered read, shall be debatable for 20 minutes, equally divided and controlled by the proponent and an opponent, shall not be subject to amendment, and shall not be subject to a demand for division of the question.

It is now in order to consider amendment No. 1 printed in the CONGRESSIONAL RECORD by the gentleman from California (Mr. OSE).

AMENDMENT NO. 1 OFFERED BY MR. OSE

Mr. OSE. Mr. Chairman, I offer an amendment.

The CHAIRMAN: The Clerk will designate the amendment.

The Clerk designated the amendment as follows:

Amendment No. 1 offered by Mr. OSE:

Page 4, beginning on line 10, strike ''means—'' and all that follows through page 7, line 2, and insert ''means $100,000.'.'' (and conform any cross references appropriately).

Page 19, strike line 20 and all that follows through page 20, line 4, and insert ''means $100,000.'.''.

The CHAIRMAN. Pursuant to the order of the House of Tuesday, April 1, the gentleman from California (Mr. OSE) and a Member opposed each will control 10 minutes.

The Chair recognizes the gentleman from California (Mr. OSE).

Mr. FRANK of Massachusetts. Mr. Chairman, did any Member claim the opposing time?

The CHAIRMAN. Does any Member claim the time in opposition?

Mr. BACHUS. Mr. Chairman, I was standing to claim the time in opposition.

The CHAIRMAN. The gentleman from Alabama (Mr. BACHUS) will be recognized in opposition.

The gentleman from California (Mr. OSE) is recognized.

Mr. OSE. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, I fully support many of the reforms in H.R. 522 but must, once again, raise some concern with one particular section that would not only cause harm but could ensure that the other reforms are once again delayed by the other body or by the administration. That issue is the increase in coverage amounts.

I am pleased to see my friend, the gentlewoman from New York (Mrs. MALONEY), a fellow member of Committee on Financial Services, here on the floor today who is joining me in offering this amendment.

This simple amendment returns the base coverage level for insurance on deposits to the current $100,000 level. It removes provisions increasing coverage to $130,000, as well as provisions to automatically increase coverage through inflation adjustments. This is the only change it makes.

Mr. Chairman, I reserve the balance of my time.

Mr. BACHUS. Mr. Chairman, I yield myself such time as I may consume.

I speak in opposition to this amendment. One of the statements by the proponent of this amendment has been that the former increase in coverage was the primary reason for the savings and loan crisis, and let me say in that regard that the cause of the savings and loan collapse, crisis in this country, has been well examined and well documented. The FDIC, in fact, issued a report called ''History of the Eighties, Lessons for the Future and Examination of the Banking Crisis of the 1980s.''

Here is their reasoning. The rise in the number of bank failures in the 1980s had no single cause or short list of causes. Rather, it resulted from a concurrence of various forces working together to produce a decade of banking crises.

First, broad national forces, economic, financial, legislative and regulatory established the preconditions for the increased number of bank failures. Second, a series of severe regional and sectional recessions hit banks in a number of banking markets and led to the majority of the failures. Third, some of the banks in these markets assumed excessive risk and were insufficiently restrained by supervisory authorities with the result that they failed in disproportionate numbers.

As a result of that, Mr. Chairman, we have made several changes in the law in this body in an attempt, and I think a successful attempt thus far, to make these institutions subject to more oversight and to stronger capital requirements.

One Member of our body's father served as the FBI director during the savings and loan crisis. He was asked in a congressional hearing for his comment on the savings and loan crisis, and he said that criminal activity, fraud and looting were the primary causes of the crisis. In fact, the committee staff has made a fairly exhaustive study of the various articles written concerning the collapse of the savings and loans, and these were the reasons given at the time.

My colleagues can see we have a basic laundry list of reasons, but there is actually evidence that the increase in coverage at the time gave savers some degree of security and actually prevented a panic at many institutions, and some of that body of evidence supports that it actually helped in a contagion of that crisis.

Mr. Chairman, the final argument is a moral-hazard argument. The offerer of this amendment has argued that increasing coverage will create a greater moral hazard in the system; but then, surprisingly, his amendment does not raise the level from $100,000 to $130,000. It does away with that, but then he raises retirement accounts to $260,000, and he raises municipal deposits; and by doing that, they have managed in the subcommittee to basically arouse everyone's opposition to the amendment because if we raise the coverage for retirements in municipal deposits, then one is, in fact, arguing against the reason for offering his own amendment.

I will close simply by saying that this moral-hazard argument has been looked at by the FDIC. They asked two respected economists to make a report, and they were Federal Reserve Governor Alan Blinder, and this is what he said. The point is made that if the FDIC is given the authority to charge risk-based premiums, and that is what H.R. 522 does, then ''most objections based on moral hazard should evaporate.'' He goes on to state, ''In a world of properly priced deposit insurance, it seems more appropriate to ask the opposite question: Why have any coverage limits at all?''

In fact, I think that ought to be the question we are debating: Why have any coverage limits at all? Even the CBO says that this bill will result in an increase of insured deposits in our institutions. Is that not something that we have all argued for? Do we not want an increase in the deposits in our financial institutions? Does that not strengthen our economy? Is that not good for America? They say that some institutions will fail and some people in that institution will lose 200 or $220,000 worth of retirement funds. Do we not want them to have federally insured coverage? Do we want them to lose this money? I do not think so.

Finally, do we believe in insurance? I think that is the essence of this whole argument. I mean, do we believe in insurance? Do we believe in insuring for losses? If we do, and I for one think that insurance is a good thing, I believe that insurance is a prudent thing, and I believe that in order for our Federal deposit insurance system to survive and have any relevance then that insurance protection, which I believe in, I believe in insuring against risk, I believe it is a prudent thing to do, then why would we want the Federal deposit insurance system to wither on the vine?

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Why would we not want it to stay current with inflationary rates and per capita income? And the only way to do that is to vote ''yes'' on this bill. A vote against this bill basically would be like going back to 1980 and reducing the coverage from $100,000 to $30,000 if you went on per capita income, or $47,000 if you went on inflation.

How many in our body would do that? How many in our body would vote today to take those levels back to the 1980 level? I do not think any of us would. A few of us would because, as the gentleman from California (Mr. ROHRABACHER) says, I do not believe in Federal deposit insurance. I do not believe in the Federal Government supplying insurance. Well, it is the depositors, for one thing. The Federal Government does not. If he would look, he would see it is the banks through their premiums.

Mr. FRANK of Massachusetts. Mr. Chairman, will the gentleman yield?

Mr. BACHUS. I yield to the gentleman from Massachusetts.

Mr. FRANK of Massachusetts. Mr. Chairman, I thank the gentleman for yielding to me. I did not want time to expire while discussing the absent gentleman from California, and I did want to make sure I had a chance to express my opposition to this amendment.

I think the committee product is a reasonable approach and so I hope the amendment is defeated. And, once again, I thank the gentleman for yielding to me

Mr. BACHUS. Mr. Chairman, I reserve the balance of my time.

Mr. OSE. Mr. Chairman, could you tell me how much time remains on each side?

The CHAIRMAN. The gentleman from California (Mr. OSE) has 9 minutes remaining.

Mr. OSE. Mr. Chairman, I want to make sure we are talking about the right amendment. It is amendment No. 1, which only deals with the level of insurance and the question of indexing. It does not deal with retirement accounts or municipal deposits. Am I correct in that, Mr. Chairman?

The CHAIRMAN. The Chair cannot interpret the amendment. The gentleman may proceed.

Mr. OSE. Mr. Chairman, I yield 5 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY. Mr. Chairman, I thank the gentleman for yielding me this time and for his leadership, and I rise in support of the Ose-Maloney amendment, a compromise approach to deposit insurance coverage that holds standard account coverage at $100,000 while offering increased protection for retirees.

Mr. Chairman, as a whole, this is an outstanding bill. As an original cosponsor of H.R. 522, I am supportive of the overwhelming majority of provisions in the legislation. It is long past time to merge the BIF and SAIF insurance funds. Additionally, eliminating the 23 basis point cliff and providing a new premium system that takes into account the past contributions of institutions are major steps forward.

The bill includes a mechanism for determining credit for past contributions to the insurance funds that is based on an amendment I cosponsored along with the gentleman from Nebraska (Mr. BEREUTER) last session. This is a critically important provision as a matter of fairness to institutions that recapitalized the funds, and I thank the gentleman from Alabama (Mr. BACHUS) for including this balanced amendment in the legislation.

Despite these many positives, I believe the immediate 30 percent increase in insurance coverage in the bill is a serious mistake. This coverage increase to $130,000 is opposed by all the Federal financial service regulators, including Alan Greenspan, Treasury Secretary Peter Fischer, OCC Comptroller John Hawke and OTS Director James Gilleran.

Proponents of increased coverage argue that it poses no new risk to the insurance system, but the regulators who oppose this increase are the very officials whose job it is to protect the safety and soundness of the financial system. The unanimity of regulator opposition to increased coverage is an extremely powerful message.

Another argument put forth by proponents of coverage increases is that inflation has eroded deposit insurance. I do not believe this argument matches the actual situation of the banking industry. The fact is that only 2 percent of insured accounts have more than $100,000 according to a study by the Federal Reserve. The same Fed study put the average account balance at merely $6,000. Any way you look at it the increase in coverage will benefit very, very few depositors.

Proponents of increasing coverage also contend that because insurance premiums are paid by banks, increasing coverage does not cost taxpayers. While I concede this point, I think we have to remember that behind the deposit insurance funds is the full faith and credit of the United States Government.

Since I joined the Committee on Financial Services at the close of the savings and loan crisis, I have been committed to protecting the safety and soundness of the financial service system. While the causes of the S&L failures were many, as my friend from Alabama pointed out, the fact is that standing behind the insurance system are our constituent taxpayer dollars. No matter what the reasons are for a future bank failure or string of failures, by raising insurance coverage we increase the potential liability of the government. Additionally, raising coverage may encourage the concept of moral hazard. Institutions will be encouraged to engage in riskier behavior to boost earnings if they know that failure is insured by the Federal Government.

Finally, I urge support for this amendment because it strikes a compromise. It holds the line on coverage for standard accounts while offering retirees additional insurance. I believe that there are many valid policy arguments for offering additional coverage and additional insurance for this special class of banking account. At its core this amendment represents a compromise. It allows Members the opportunity to support the concerns of the regulatory community on standard accounts while offering increased insurance on retirement accounts.

This is a good bill and I will support its passage. I simply think it would be much improved with the adoption of this amendment, and I thank the gentleman from California (Mr. OSE) for his leadership and I thank also the gentleman from Alabama (Mr. BACHUS) for crafting a fine underlying bill, along with the chairman, the gentleman from Ohio (Mr. OXLEY), and the Democratic leader, the gentleman from Massachusetts (Mr. FRANK).

Mr. Chairman, I include for the RECORD the following testimony from our committee hearing:

PREPARED TESTIMONY OF THE HONORABLE PETER R. FISCHER, UNDERSECRETARY FOR DOMESTIC FINANCE, DEPARTMENT OF THE TREASURY, 9:30 A.M., WEDNESDAY, FEBRUARY 26, 2003—DIRKSEN 538

Mr. Chairman, Senator Sarbanes, and Members of the Committee, I appreciate the opportunity to provide the Administration's views on deposit insurance reform. I also want to commend Chairman Powell and the FDIC staff for their valuable contributions to the discussion of this important issue.

The Administration strongly supports reforms to our deposit insurance system that would, first, merge the bank and thrift insurance funds, second, allow more flexibility in the management of fund reserves while maintaining adequate reserve levels and, third, ensure that all participating institutions fairly share in the maintenance of FDIC resources in accordance with the insurance fund's loss exposure from each institution. The Administration strongly opposes any increases in deposit insurance coverage limits.

Our current deposit insurance system managed by the Federal Deposit Insurance Corporation (FDIC) serves to protect insured depositors from exposure to bank losses and, as a result, helps to promote public confidence in the U.S. banking system. I am concerned today that our deposit insurance system has structural weaknesses that, in the absence of reform, could deepen over time. I want to emphasize that there is no crisis in the FDIC; both of its funds are strong, well managed, with adequate reserves. This is the right time to act—when we do not face a crisis—and the Administration supports legislation focused on the repair of these structural weaknesses.

Increases in FDIC benefits, however, including any increase in the level of insurance coverage, are not part of the solution to these problems and should be avoided. When I testified before this Committee last April, I argued that an increase in deposit insurance coverage limits would serve no sound public policy purpose. Nothing has occurred since then to change that view. The Administration continues to oppose higher coverage limit in any form. Indeed, we feel that the entire issue of coverage limits regrettably diverts attention from the important reforms that are needed.

MERGING THE BANK AND THRIFT INSURANCE FUNDS

We support a merger of the Bank Insurance Fund (BIF) and Savings Association Insurance Fund (SAIF) as soon as practicable. A larger, combined insurance fund would be better able to diversify risks, and thus withstand losses, than would either fund separately. Merging the funds while the industry is strong and both funds are adequately capitalized would not burden either BIF or SAIF members. A merged fund would also end the possibility that similar institutions could pay significantly different premiums for the same product, as was the case in the recent past and could occur again in the near future without this change. A merger would also recognize changes in the industry. As a result of mergers and consolidations, each fund now insures deposits of both commercial banks and thrifts. Indeed, commercial banks now account for 45 percent of all SAIF-insured deposits.

FLEXIBILITY IN THE MANAGEMENT OF FDIC RESERVES

Current law generally requires each insurance fund to maintain reserves equal to 1.25 percent of estimated insured deposits, the ''designated reserve ratio.'' When the reserve ratio falls below this threshold, the FDIC must charge either a premium sufficient to restore the reserve ratio to 1.25 percent within one year, or a minimum of 23 basis points if the reserve ratio would remain below 1.25 percent for a longer period. Since the latter would be expected when the banking system, and probably the economy as well, were under stress, such a sharp increase in industry assessments could have an undesirable pro-cyclical effect, further reducing liquidity precisely when liquidity is needed. Were FDIC fund contributions to come from resources that otherwise might be part of capital, every dollar paid would mean a potential reduction of 10 or 12 dollars in lending, or as much as $12 billion in reduced lending for a $1 billion FDIC replenishment.

Reserves should be allowed to grow when conditions are good. This would enable the fund to better absorb losses under adverse conditions without sharp increases in premiums. In order to achieve this objective and also to account for changing risks to the insurance fund over time, we support greater latitude for the FDIC to alter the designated reserve ratio within statutorily prescribed upper and lower bounds. Within these bounds, the FDIC should provide for public notice and comment concerning any proposed change to the designated reserve ratio. The FDIC should also have discretion in determining how quickly the fund meets the designated reserve ratio as long as the actual reserve ratio is within these bounds. If the reserve ratio were to fall below the lower bound, the FDIC should restore it to within the statutory range promptly, over a reasonable but limited timeframe. We would also support some reduction in the prescribed minimum premium rate—currently 23 basis points—that would be in effect if more than one year were required to restore the fund's reserves.

Nevertheless, as we learned from the deposit insurance experience of the 1980s, flexibility must be tempered by a clear requirement for prudent and timely fund replenishment. The statutory range for the designated reserve ratio should strike an appropriate balance between the burden of pre-funding future loses and the pro-cyclical costs of replenishing the insurance fund in a downturn. A key benefit to giving the FDIC greater flexibility in managing the reserve ratio within statutorily prescribed bounds is the ability to achieve low, stable premiums over time, adequate to meet FDIC needs in bad times, with the least burden on financial institutions and on the economy. We also believe that with this reform, the possibility of recourse to taxpayer resources is even further removed.

FULL RISK-BASED SHARED FUNDING

Every day that they operate, banks and thrifts benefit from their access to federal deposit insurance. For several years, however, the FDIC has been allowed to obtain premiums for deposit insurance from only a few insured institutions. Currently, over 90 percent of banks and thrifts pay nothing to the FDIC. This is an untenable formula for the long-term stability of the FDIC.

Moreover, current law frustrates one of the most important reforms enacted in the wake of the collapse of the Federal Savings and Loan Insurance Corporation (FSLIC) and the depletion of FDIC reserves: the requirement for risk-based premiums. When 90 percent of the industry pays no premiums, there is little opportunity to do what any prudent insurer would do: adjust premiums for risk. Nearly all banks are treated the same, and lately they have been treated to free service.

For example, today a bank can rapidly increase its insured deposits without paying anything into the insurance fund. As is now well known, some large financial companies have greatly augmented their insured deposits in the past few years by sweeping uninsured funds into their affiliated depository institutions—without compensating the FDIC at all. Other major financial companies might be expected to do the same in the future. In addition, most of the over 1,100 banks and thrifts chartered after 1996 have never paid a penny in deposit insurance premiums. Yet if insured deposit growth by a relatively few institutions were to cause the reserve ratio to decline below the designated reserve ratio, all banks would be required to pay premiums to raise reserves.

To rectify this ''free rider'' problem and ensure that institutions appropriately compensate the FDIC commensurate with their risk, Congress should remove the current restrictions on FDIC premium-setting. In order to recognize past payments to build up current reserves, we support the proposal to apply temporary transition credits against future premiums that would be distributed based on a measure of each institution's contribution to the build-up of insurance fund reserves in the early-to-mid 1990s. In addition to transition credits, allowing the FDIC to provide assessment credits on an on-going basis would permit the FDIC to collect payments from institutions more closely in relation to their deposit growth.

We strongly oppose rebates, which would drain the insurance fund of cash. Over much of its history, the FDIC insurance fund reserve ratio remained well above the current target, only to drop into deficit conditions by the beginning of the 1990s. Therefore, it is vital that funds collected in good times, and the earnings on those collections, be available for times when they will be needed.

There are other important structural issues that need to be addressed sooner than later. It would be appropriate to evaluate whether there are changes to the National Credit Union Share Insurance Fund (NCUSIF) that would be suitable in light of the proposed reforms made of FDIC insurance so as to avoid unintended disparities between the two programs. Perhaps even more important is the need to address the long-term funding of supervision by the National Credit Union Administration, particularly in view of recent trends toward conversions from federal to state charters and growing consolidation of credit unions. Similarly, there are structural problems in the funding of the Office of the Comptroller of the Currency and the Office of Thrift Supervision, the resolution of which should not be delayed.

DEPOSIT INSURANCE COVERAGE LIMITS

The improvements to the deposit insurance system that I have just outlined are vital to the system's long-term health. Other proposals, however, would not contribute to the strength of the taxpayer-backed deposit insurance system and may actually weaken it.

Increasing the general coverage limit up front or through indexation, or raising coverage limits for particular categories of deposits, is unnecessary. Savers do not need an increase in coverage limits and would receive no real financial benefit. Unlike other government benefit programs, there is no need for indexation of deposit insurance coverage because savers can now obtain all the coverage that they desire by using multiple banks and through other means.

Higher coverage limits would not predictably advantage any particular size of banks, would increase all banks' insurance premium costs, and would mean greater taxpayer exposure by adding to the contingent liabilities of the government and weakening market discipline. An increase in coverage limits would reduce—not enhance—competition among banks in general as the efficient and inefficient offer the same investment risk to depositors; in fact, perversely, investors would be drawn at no risk to the worst banks, which usually offer the highest interest rates.

Higher Coverage Limits Not Sought by Savers

First of all, the clamor for raising coverage limits does not come from savers. The evidence that current coverage limits constitute a burden to savers is scant; there has been little demand from depositors for higher maximum levels. The recent consumer finance survey data released by the Federal Reserve confirm what we found in the previous survey, namely that raising the coverage limit would do little, if anything, for most savers. Median family deposit balances are only $4,000 for transaction account deposits and $15,000 for certificates of deposit, far below the current $100,000 ceiling. The same holds true even when considering only older Americans, a segment of the population with higher bank account usage: median transaction account balances and certificates of deposit total $8,000 and $20,000, respectively, for those households headed by individuals between the ages of 65 and 74.

Examining the Federal Reserve data for retirement accounts shows present maximum deposit insurance coverage to be more than adequate. The median balance across age groups held in IRA/Keogh accounts at insured depository institutions is only $15,000. For the 65 to 69 age group, median household IRA/Keogh deposits total $30,000.

A small group of relatively affluent savers might find greater convenience from increased maximum coverage levels. But it is a tiny group. Only 3.4 percent of households with bank accounts held any uninsured deposits, and the median income of these households was more than double the median income of all depositors in the survey.

Under current rules, these savers have plenty of options, with the market place presenting new options for unlimited deposit insurance coverage without changing federal coverage limits. At little inconvenience, savers with substantial bank deposits—including retirees and those with large bank savings for retirement—may place deposits at any number of banks to obtain as much FDIC coverage as desired. They may also establish accounts within the same bank under different legal capacities, qualifying for several multiples of current maximum coverage limits. Firms are now developing programs for exchanging depositor accounts that could offer seamless means of providing unlimited coverage for depositors without any change in current limits.

One of the fundamental rules of prudent retirement planning is to diversify investment vehicles. Many individuals, including those who are retired or planning for retirement, feel comfortable putting substantial amounts into uninsured mutual funds, money market accounts, and a variety of other investment instruments. Just 21 percent of all IRA/Keogh funds are in insured depository institutions. There is simply no widespread consumer concern about existing coverage limits that would justify extending taxpayer exposure by creating a new government-insured retirement program under the FDIC.

Coverage Limits and Bank Competition

Banks, regardless of size, continue to have little trouble attracting deposits under the existing coverage limits. Federal Reserve data have shown that smaller banks have grown more rapidly and experienced higher rates of growth in both insured and uninsured deposits than have larger banks over the past several years. After adjusting for the effects of mergers, domestic assets of the largest 1,000 commercial banks grew 5.5 percent per year on average from 1994 to 2002; all other banks grew 13.8 percent per year on average. Nor are smaller banks losing the competition for uninsured deposits. Uninsured deposits of the top 1,000 banks grew 9.9 percent annually on average over this period, while such deposits at smaller banks grew on average by 21.4 percent annually.

Higher Coverage Limits for Municipal Funds Erode Discipline

Proposals for substantially higher levels of protection of municipal deposits than of other classes of deposits would exacerbate the inherent moral hazard problems of deposit insurance. Rather than keep funds in local institutions, state and municipal treasurers would have powerful incentives to seek out not the safest institutions in which to place taxpayer funds but rather those offering the highest interest rates. Since these are usually riskier institutions, state and municipal treasurers would be drawn into funding the more trouble banks. Local, well run, healthy banks might have to pay a premium in increased deposit rates to retain municipal business. Today there are incentives for state and local government treasurers to monitor risks taken with large volumes of public sector deposits. Should the FDIC largely protect these funds, an important source of credit judgment on the lending and investment decisions of local banks would be lost.

CONCLUSION

In conclusion, I reaffirm the Administration's support for the three-part general framework that I have outlined to correct the structural flaws in the deposit insurance system. I encourage Congress to pursue these improvements with a steady focus on the important work that needs to be done. The Administration does not support legislation that raises deposit insurance coverage limits in any form, and we urge that Congress avoid such an unneeded and counterproductive diversion from real and necessary reform.

Mr. BACHUS. Mr. Chairman, I reserve the balance of my time.

Mr. OSE. Mr. Chairman, I yield myself such time as I may consume, and I want to echo the comments of the gentlewoman from New York (Mrs. MALONEY).

Mr. Chairman, one of the things I have is an experience of having had to survive the savings and loan crisis of the 1980s when I was in the real estate business. This was not a pretty time for those of us who were confronted with that situation, and I would advise those who did not have that pleasure that they do not want to have the opportunity to enjoy that in their future business careers.

I will say that in the context of whether or not to raise from $100,000 to $130,000, or some other level, the plain fact of the matter is that 98 percent of all accounts have balances less than $100,000, and the law allows each of those who might otherwise exceed $100,000, if they wish, to open another insured account up to another $100,000; to drive down the street and open an account in another bank; to diversify their deposits in their community. It is not necessarily a fact that there is only one place at which an individual can receive insurance on their accounts. If you have more than $100,000 in an account, you can reduce the balance in that account and take that money to another bank and receive another layer of protection for that balance.

Mr. Chairman, that is the beauty of this system. That is the strength of the system. And, in fact, it is the strongest argument that we do not need to increase limits. This proposal to increase to $130,000 is a solution in search of a problem.

I urge this body to make an ''aye'' vote on my amendment. And, Mr. Chairman, I want to submit for the

RECORD the statements of Under Secretary of the Treasury Peter Fischer, Federal Reserve Board Chairman Alan Greenspan, Comptroller of the Currency John D. Hawke, Jr., and Director of the Office of Thrift Supervision James Gilleran.

H.R. 3717—FEDERAL DEPOSIT INSURANCE REFORM ACT OF 2002, REP. BACHUS (R) ALABAMA AND 63 COSPONSORS

The Administration supports those provisions of H.R. 3717 that would improve the deposit insurance system's operation and fairness. Specifically, the Administration supports provisions that would: (1) allow the insurance fund reserve ratio to vary within a range and eliminate triggers that could cause sharp changes in premiums; (2) merge the bank and thrift insurance fund; and (3) ensure that institutions appropriately compensate the FDIC for insured deposit growth while also taking into account the past contributions of many institutions to build fund reserves.

The Administration, however, strongly opposes those provisions of H.R. 3717 that would raise deposit insurance coverage limits. The interests of depositors will not be served by an increase in deposit insurance coverage limits. The average saver would derive no financial benefit from increased coverage limits. The small fraction of savers with substantial deposits may obtain as much coverage as desired at minimal inconvenience by placing deposits at multiple institutions. An increase in coverage limits would neither enhance competition among depository institutions in general nor make the nation's community banks more competitive in raising funds.

Increased coverage limits would also expose taxpayers to additional risk while providing no benefit to the overwhelming majority of Americans. Higher coverage limits would mean greater off-balance sheet contingent liabilities of the Government and weaker market discipline, exposing the insurance fund and taxpayers to increased risk of loss.

To avoid dilution of FDIC and NCUA reserves resulting from the higher coverage limits provided in H.R. 3717, banks, thrifts, and credit unions will need to pay at least $3.5 billion in higher insurance assessments according to CBO and OMB estimates. A substantial amount of the higher industry costs will occur in the first year.

The Administration notes the submission to Congress by the FDIC of recommendations for legislative or administration action is subject to the President's authority under the Recommendations Clause of the Constitution.

PAY-AS-YOU-GO-SCORING

Any law that would reduce receipts or increase direct spending is subject to the PAYGO requirements of the Balanced Budget and Emergency Deficit Control Act (BEA) and could cause a sequester of mandatory programs in any fiscal year through 2006. The requirement to score PAYGO costs expires on September 30, 2002, and there are no discretionary caps beyond 2002. The Administration will work with Congress to ensure fiscal discipline consistent with the President's budget and a quick return to a balanced budget. The Administration will also work with Congress to ensure that any unintended sequester of spending does not occur.

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TESTIMONY OF CHAIRMAN ALAN GREENSPAN, DEPOSIT INSURANCE, BEFORE THE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS, U.S. SENATE, FEBRUARY 26, 2003

Chairman Shelby, Senator Sarbanes, and members of the Committee, it is a pleasure to appear once again before this Committee to present the views of the Board of Governors of the Federal Reserve System on deposit insurance. Rather than refer to any specific bill, I will express the broad views of the Federal Reserve Board on the issues associated with modifications of deposit insurance. Those views have not changed since our testimony before this Committee on April 23, 2002.

At the outset, I note that the 2001 report of the Federal Deposit Insurance Corporation (FDIC) on deposit insurance highlighted the significant issues and developed an integrated framework for addressing them. Although as before the Board opposes any increase in coverage, we continue to support the framework constructed by the FDIC report for addressing other reform issues.

BENEFITS AND COSTS OF DEPOSIT INSURANCE

Deposit insurance was adopted in this country as part of the legislative effort to limit the impact of the Great Depression on the public. Against the backdrop of a record number of bank failures, the Congress designed deposit insurance mainly to protect the modest savings of unsophisticated depositors with limited financial assets. With references being made to ''the rent money,'' the initial 1934 limit on deposit insurance was $2,500; the Congress promptly doubled the limit to $5,000 but then kept it at that level for the next sixteen years. I should note that the $5,000 of insurance provided in 1934, an amount consistent with the original intent of the Congress, is equal to slightly less than $60,000 today, based on the personal consumption expenditures deflator in the gross domestic product accounts.

Despite its initial quite limited intent, the Congress has raised the maximum amount of coverage five times since 1950, to its current level of $100,000. The last increase, in 1980, more than doubled the limit and was clearly designed to let depositories, particularly thrift institutions, offer an insured deposit free of the then-prevailing interest rate ceilings on such instruments, which applied only to deposits below $100,000. Insured deposits of exactly $100,000 thus became fully insured instruments in 1980 but were not subject to an interest rate ceiling. The efforts of thrift institutions to use $100,000 CDs to stem their liquidity outflows resulting from public withdrawals of smaller, below-market-rate insured deposits led first to an earnings squeeze and an associated loss of capital and then to a high-risk investment strategy that led to failure after failure. Depositors acquiring the new larger-denomination insured deposits were aware of the plight of the thrift institutions but unconcerned about the risk because the principal amounts of their $100,000 deposits were fully insured by the federal government. In this way, the 1980 increase in deposit insurance to $100,000 exacerbated the fundamental problem facing thrift institutions—a concentration on long-term assets in an environment of high and rising interest rates. Indeed, it significantly increased the taxpayer cost of the bailout of the bankrupt thrift institution deposit insurance fund.

Despite this problematic episode, deposit insurance has clearly played a key—at times even critical—role in achieving the stability in banking and financial markets that has characterized the nearly seventy years since its adoption. Deposit insurance, combined with other components of our banking safety net (the Federal Reserve's discount window and its payment system guarantees), has meant that periods of financial stress no longer entail widespread depositor runs on banks and thrift institutions. Quite the opposite: Asset holders now seek out deposits—both insured and uninsured—as safe havens when they have strong doubts about other financial assets.

Looking beyond the contribution of deposit insurance to overall financial stability, we should not minimize the importance of the security it has brought to millions of households and small businesses with relatively modest financial assets. Deposit insurance has given them a safe and secure place to hold their transaction and other balances.

The benefits of deposit insurance, as significant as they are, have not come without a cost. The very process that has ended deposit runs has made insured depositors largely indifferent to the risks taken by their depository institutions, just as it did with depositors in the 1980s with regard to insolvent, risky thrift institutions. The result has been a weakening of the market discipline that insured depositors would otherwise have imposed on institutions. Relieved of that discipline, depositories naturally feel less cautious about taking on more risk than they would otherwise assume. No other type of private financial institution is able to attract funds from the public without regard to the risks it takes with its creditors' resources. This incentive to take excessive risks at the expense of the insurer, and potentially the taxpayer, is the so-called moral hazard problem of deposit insurance.

Thus, two offsetting implications of deposit insurance must be kept in mind. On the one hand, it is clear that deposit insurance has contributed to the prevention of bank runs that could have destabilized the financial structure in the short run. On the other, even the current levels of deposit insurance may have already increased risk-taking at insured depository institutions to such an extent that future systemic risks have arguably risen.

Indeed, the reduced market discipline and increased moral hazard at depositories have intensified the need for government supervision to protect the interests of taxpayers and, in essence, substitute for the reduced market discipline. Deposit insurance and other components of the safety net also enable banks and thrift institutions to attract more resources, at lower costs, than would otherwise be the case. In short, insured institutions receive a subsidy in the form of a government guarantee that allows them both to attract deposits at lower interest rates than would be necessary without deposit insurance and to take more risk without the fear of losing their deposit funding. Put another way, deposit insurance misallocates resources by breaking the link between risks and rewards for a select set of market competitors.

In sum, from the very beginning, deposit insurance has involved a tradeoff. Deposit insurance contributes to overall short-term financial stability and the protection of small depositors. But at the same time, because it also subsidizes deposit growth and induces greater risk-taking, deposit insurance misallocates resources and creates larger long-term financial imbalances that increase the need for government supervision to protect the taxpayers' interests. Deposit insurance reforms must balance these tradeoffs. Moreover, any reforms should be aimed primarily at protecting the interest of the economy overall and not just the profits or market shares of particular businesses.

The Federal Reserve Board believes that deposit insurance reforms should be designed to preserve the benefits of heightened financial stability and the protection of small depositors without a further increase in moral hazard or reduction in market discipline. In addition, we urge that the implementing details be kept as straightforward as possible to minimize the risk of unintended consequences that comes with complexity.

Mr. Chairman, I yield back the balance of my time.

Mr. BACHUS. Mr. Chairman, I yield myself such time as I may consume and simply close by doing two things. One is responding to the gentleman from California when he uses the analogy that if someone wants to deposit or wants over $100,000 in their account they can simply take part of that money out of one account and place it in another account or they can drive down the street.

Now, Americans today are a highly mobile society, and we know that Americans sell their homes and we know that in almost every case, when they do that, they deposit that money in their bank. They do not take that check and split it. They do not ask for two checks. We know that the average cost of a house is well in excess of $100,000 and we know that they deposit that money in a bank. And if that bank fails, they lose all but $100,000. We do not think that is right.

The authors of this amendment also do a strange thing. They say we are increasing the coverage and that is a bad thing; but then they increase the coverage for retirement accounts to $260,000 and municipal accounts to $2 million. So they basically argue against their own amendment.

Mr. Chairman, may I inquire into the amount of time remaining?

The CHAIRMAN. The gentleman from Alabama has 30 seconds remaining.

Mr. BACHUS. Mr. Chairman, I yield 30 seconds to the gentleman from Alabama (Mr. DAVIS).

Mr. DAVIS of Alabama. Mr. Chairman, let me thank my colleague from Alabama for yielding me this time and for his leadership and his work on this bill.

Mr. Chairman, let me say in 30 seconds, just this: This is an important bill from the perspective of small banks. We will not get sustained community development in America until we find ways to put more small community-based banks in rural America.

I happen to think, and those of who support this bill happen to think, that increasing these limits will provide an incentive for small banks to do more of the business that they need to do that will help the people who are living in rural America. A lot of people, if they know the limits have been increased, will feel much more comfortable putting their assets and putting their resources in small community banks.

The CHAIRMAN. All time has expired. The question is on the amendment offered by the gentleman from California (Mr. OSE).

The amendment was rejected.

The CHAIRMAN. It is now in order to consider amendment No. 2 printed in the CONGRESSIONAL RECORD by the gentleman from California (Mr. ROHRABACHER).

There being no further amendments in order, the question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker pro tempore (Mr. ADERHOLT) having assumed the chair, Mr. LAHOOD, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 522) to reform the Federal deposit insurance system, and for other purposes, pursuant to the previous order of the House of April 1, 2003, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER pro tempore. Under the previous order of the House, the previous question is ordered.

The question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

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The SPEAKER pro tempore (Mr. ADERHOLT). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. BACHUS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, this 15-minute vote on the passage of H.R. 522 will be followed by a 5-minute vote on ordering the previous question on H. Res. 168, as well as on any other electronic vote that may be ordered on adoption of H. Res. 168.

The vote was taken by electronic device, and there were—yeas 411, nays 11, not voting 12, as follows:

[Roll No. 98]

YEAS—411

Abercrombie
Ackerman
Aderholt
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldwin
Ballance
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Becerra
Bell
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop (GA)
Bishop (NY)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boswell
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (OH)
Brown (SC)
Brown, Corrine
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter
Case
Castle
Chabot
Chocola
Clay
Clyburn
Coble
Cole
Collins
Conyers
Costello
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis, Jo Ann
Davis, Tom
Deal (GA)
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doggett
Dooley (CA)
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Feeney
Ferguson
Filner
Fletcher
Foley
Forbes
Ford
Fossella
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hill
Hinchey
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley (OR)
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Janklow
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kilpatrick
Kind
King (IA)
King (NY)
Kingston
Kirk
Kleczka
Kline
Knollenberg
Kucinich
LaHood
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Maloney
Manzullo
Markey
Marshall
Matheson
Matsui
McCarthy (NY)
McCollum
McCotter
McCrery
McDermott
McGovern
McHugh
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender-McDonald
Miller (FL)
Miller (MI)
Miller (NC)
Miller, Gary
Miller, George
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Nadler
Napolitano
Neal (MA)
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Oberstar
Obey
Olver
Ortiz
Osborne
Otter
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pearce
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Renzi
Reyes
Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sandlin
Saxton
Schakowsky
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Spratt
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tiberi
Tierney
Toomey
Towns
Turner (OH)
Turner (TX)
Udall (CO)
Udall (NM)

Upton
Van Hollen
Velazquez
Visclosky
Vitter
Walsh
Wamp
Waters
Watson
Watt
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Woolsey
Wu
Young (AK)
Young (FL)

NAYS—11

Boucher
Cooper
DeFazio
Flake
Ose
Paul
Rohrabacher
Royce
Sanders
Stark
Taylor (MS)

NOT VOTING—12

Combest
Davis (TN)
Doolittle
Gephardt
Hyde
Jones (NC)
Kolbe
McCarthy (MO)
McInnis
Souder
Walden (OR)
Wynn

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD) (during the vote). The Chair reminds Members that there are 2 minutes remaining to vote.

□ 1205

Mr. DEFAZIO and Mr. TAYLOR of Mississippi changed their vote from ‘‘yea’’ to ‘‘nay.’’

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PROVIDING FOR CONSIDERATION OF H.R. 743, SOCIAL SECURITY PROTECTION ACT OF 2003

The SPEAKER pro tempore. The pending business is the question on ordering the previous question on House Resolution 168 on which further proceedings were postponed earlier today.

The Clerk read the title of the resolution.

The SPEAKER pro tempore. The question is on ordering the previous question on which the yeas and nays are ordered.

This will be a 5-minute vote. Any electronic vote that might be ordered on the question of adopting the rule also would be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 245, nays 177, not voting 12, as follows:

[Roll No. 99]

YEAS—245

Ackerman
Aderholt
Akin
Alexander
Bachus
Baker
Ballance
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Bereuter
Biggert
Bilirakis
Bishop (GA)
Bishop (UT)
Blackburn
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonner
Bono
Boozman
Boucher
Bradley (NH)
Brady (TX)
Brown (SC)
Brown-Waite, Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cannon
Cantor
Capito
Carson (OK)
Carter
Case
Castle
Chabot
Chocola
Coble
Cole
Collins
Cox
Cramer
Crane
Crenshaw
Cubin
Culberson
Cummings
Cunningham
Davis (AL)
Davis, Jo Ann
Davis, Tom
Deal (GA)
Delahunt
DeLay
DeMint
Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dooley (CA)
Dreier
Duncan
Dunn
Ehlers
Emerson
English
Everett
Feeney
Ferguson
Flake
Fletcher
Foley
Forbes
Fossella
Franks (AZ)
Frelinghuysen
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Goode
Goodlatte
Goss
Granger
Graves
Green (WI)
Greenwood
Gutknecht
Harris
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hobson
Hoeffel
Hoekstra
Hostettler
Houghton
Hulshof
Hunter
Isakson
Issa
Istook
Janklow
Jefferson
Jenkins
Johnson (CT)
Johnson (IL)
Johnson, Sam
Keller
Kelly
Kennedy (MN)
King (IA)
King (NY)
Kingston
Kirk
Kline
Knollenberg
LaHood
Latham
LaTourette
Leach
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (OK)
Manzullo
McCotter
McCrery
McHugh
McKeon
McNulty
Mica
Miller (FL)
Miller (MI)
Miller, Gary
Moran (KS)
Murphy
Murtha
Musgrave
Myrick
Nethercutt
Ney
Northup
Norwood
Nunes
Nussle
Osborne
Ose
Otter
Oxley
Pearce
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Porter
Portman
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Rangel
Regula
Rehberg
Renzi
Reynolds
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Royce
Ryan (WI)
Ryun (KS)
Saxton
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherwood
Shimkus
Shuster
Simmons
Simpson
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Stearns
Stupak
Sullivan
Sweeney
Tancredo
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Tiahrt
Tiberi
Toomey
Turner (OH)
Upton
Vitter
Walsh
Wamp
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson (NM)
Wilson (SC)
Wolf
Wu
Young (AK)
Young (FL)

NAYS—177

Abercrombie
Allen
Andrews
Baca
Baird
Baldwin
Becerra
Bell
Berkley
Berman
Berry
Bishop (NY)
Boswell
Boyd
Brady (PA)
Brown (OH)
Brown, Corrine
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Clay
Clyburn
Conyers
Cooper
Costello
Crowley
Davis (CA)
Davis (FL)
Davis (IL)
DeFazio
DeGette
DeLauro
Dicks
Dingell
Doggett
Doyle
Edwards
Emanuel
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank (MA)
Frost
Gonzalez
Gordon
Green (TX)
Grijalva
Gutierrez
Hall
Harman
Hastings (FL)
Hill
Hinchey
Hinojosa
Holden
Holt
Honda
Hooley (OR)
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
John
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind
Kleczka
Kucinich
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Lee
Levin
Lofgren
Lowey
Lucas (KY)
Lynch
Majette
Maloney
Markey
Marshall
Matheson
Matsui
McCarthy (NY)
McCollum
McDermott
McGovern
McIntyre
Meehan
Meek (FL)
Meeks (NY)
Menendez
Michaud
Millender-McDonald
Miller (NC)
Miller, George
Mollohan
Moore
Moran (VA)
Nadler
Napolitano
Neal (MA)
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Price (NC)
Rahall
Reyes
Rodriguez
Ross
Rothman
Roybal-Allard
Ruppersberger
Rush
Ryan (OH)
Sabo
Sanchez, Linda T.
Sanchez, Loretta
Sanders
Sandlin
Schakowsky
Schiff
Scott (GA)
Scott (VA)
Serrano
Sherman
Skelton
Slaughter
Snyder
Solis
Spratt
Stark
Stenholm
Strickland
Tanner
Tauscher
Taylor (MS)
Thompson (CA)
Thompson (MS)
Tierney
Towns
Turner (TX)
Udall (CO)
Udall (NM)
Van Hollen
Velazquez
Visclosky
Waters
Watson
Watt
Waxman
Weiner
Woolsey
Wynn

NOT VOTING—12

Combest
Davis (TN)
Doolittle
Gephardt
Hyde
Jones (NC)
Kolbe
McCarthy (MO)
McInnis
Paul
Souder
Walden (OR)

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (during the vote). The Chair reminds Members that there are 2 minutes remaining to vote.

□ 1213

Ms. KILPATRICK, Messrs. LANTOS, WYNN and MORAN of Virginia, Mrs. MALONEY, Mr. MCINTYRE and Mr. BELL changed their vote from ‘‘yea’’ to ‘‘nay.’’

So the previous question was ordered.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. KOLBE. Mr. Speaker, earlier today, I was unavoidably detained and missed votes on the following measures:

1. Final Passage of H.R. 522—Federal Deposit Insurance Reform Act of 2003 (No. 98). Had I been present, I would have voted ‘‘yea.’’

2. Previous Question on the Rule providing for consideration of H.R. 743—Social Security Protection Act of 2003 (No. 99). Had I been present, I would have voted ‘‘yea.’’

The SPEAKER pro tempore. The question is on the resolution.

The resolution was agreed to.

A motion to reconsider was laid on the table.

□ 1215

SOCIAL SECURITY PROTECTION ACT OF 2003

Mr. SHAW. Mr. Speaker, pursuant to House Resolution 168, I call up the bill (H.R. 743) to amend the Social Security Act and the Internal Revenue Code of 1986 to provide additional safeguards for Social Security and Supplemental Security Income beneficiaries with representative payees, to enhance program protections, and for other purposes, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. LINDER). Pursuant to House Resolution 168, the bill is considered read for amendment.

The text of H.R. 743 is as follows:

H.R. 743

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,