

109TH CONGRESS
1ST SESSION

S. 1562

To provide for the merger of the bank and savings association deposit insurance funds, to modernize and improve the safety and fairness of the Federal deposit insurance system, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 2005

Mr. ENZI (for himself, Mr. JOHNSON, Mr. ALLARD, and Mr. HAGEL) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To provide for the merger of the bank and savings association deposit insurance funds, to modernize and improve the safety and fairness of the Federal deposit insurance system, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Safe and Fair Deposit Insurance Act of 2005”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—MERGER OF THE DEPOSIT INSURANCE FUNDS

Sec. 101. Short title.

Sec. 102. Merger of BIF and SAIF.

Sec. 103. Establishment of the Deposit Insurance Fund.

Sec. 104. Technical and conforming amendments to the Federal Deposit Insurance Act.

Sec. 105. Other technical and conforming amendments.

Sec. 106. Effective date.

TITLE II—DEPOSIT INSURANCE MODERNIZATION AND IMPROVEMENT

Sec. 201. Short title.

Sec. 202. Increase in Federal insurance coverage.

Sec. 203. Designated reserve ratio.

Sec. 204. Assessment credits and dividends.

Sec. 205. Regulations required.

Sec. 206. Studies of potential changes to the Federal deposit insurance system.

Sec. 207. Effective date.

1 **SEC. 2. DEFINITIONS.**

2 In this Act—

3 (1) the term “Administration” means the Na-
4 tional Credit Union Administration;

5 (2) the term “Board” means the Board of Di-
6 rectors of the Federal Deposit Insurance Corpora-
7 tion (other than in connection with the National
8 Credit Union Administration Board);

9 (3) the term “Corporation” means the Federal
10 Deposit Insurance Corporation;

11 (4) the term “designated reserve ratio” means
12 the reserve ratio designated by the Board under sec-
13 tion 7(b)(3) of the Federal Deposit Insurance Act,
14 as amended by this Act;

1 (5) the terms “Fund” and “Deposit Insurance
2 Fund” mean the Deposit Insurance Fund estab-
3 lished under section 11(a)(4) of the Federal Deposit
4 Insurance Act, as amended by this Act;

5 (6) the term “insured depository institution”
6 has the same meaning as in section 3 of the Federal
7 Deposit Insurance Act; and

8 (7) the term “reserve ratio” means the ratio of
9 the fund balance of the Deposit Insurance Fund to
10 the aggregate estimated amount of deposits insured
11 by the Fund.

12 **TITLE I—MERGER OF THE** 13 **DEPOSIT INSURANCE FUNDS**

14 **SEC. 101. SHORT TITLE.**

15 This title may be cited as the “Insurance Funds
16 Merger Act of 2005”.

17 **SEC. 102. MERGER OF BIF AND SAIF.**

18 (a) IN GENERAL.—

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

22 (2) DISPOSITION OF ASSETS AND LIABIL-
23 ITIES.—All assets and liabilities of the Bank Insur-
24 ance Fund and the Savings Association Insurance

1 Fund shall be transferred to the Deposit Insurance
2 Fund.

3 (3) NO SEPARATE EXISTENCE.—The separate
4 existence of the Bank Insurance Fund and the Sav-
5 ings Association Insurance Fund shall cease on the
6 effective date of the merger thereof under this sec-
7 tion.

8 (b) REPEAL OF OUTDATED MERGER PROVISION.—
9 Section 2704 of the Deposit Insurance Funds Act of 1996
10 (12 U.S.C. 1821 note) is repealed.

11 **SEC. 103. ESTABLISHMENT OF THE DEPOSIT INSURANCE**
12 **FUND.**

13 (a) IN GENERAL.—Section 11(a)(4) of the Federal
14 Deposit Insurance Act (12 U.S.C. 1821(a)(4)) is amend-
15 ed—

16 (1) by redesignating subparagraph (B) as sub-
17 paragraph (C);

18 (2) by striking subparagraph (A) and inserting
19 the following:

20 “(A) ESTABLISHMENT.—There is estab-
21 lished the Deposit Insurance Fund, which the
22 Corporation shall—

23 “(i) maintain and administer;

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

4 “(iii) invest in accordance with section
5 13(a).

6 “(B) USES.—The Deposit Insurance Fund
7 shall be available to the Corporation for use
8 with respect to Deposit Insurance Fund mem-
9 bers.”;

10 (3) by striking “(4) GENERAL PROVISIONS RE-
11 LATING TO FUNDS.—” and inserting the following:

12 “(4) ESTABLISHMENT OF THE DEPOSIT INSUR-
13 ANCE FUND.—”;

14 (4) in subparagraph (C), as redesignated by
15 paragraph (1) of this subsection, by striking “Bank
16 Insurance Fund and the Savings Association Insur-
17 ance Fund” and inserting “Deposit Insurance
18 Fund”; and

19 (5) by adding at the end the following:

20 “(D) DEPOSITS.—All amounts assessed
21 against insured depository institutions by the
22 Corporation shall be deposited in the Deposit
23 Insurance Fund.”.

24 (b) MERGER-RELATED AMENDMENTS TO THE FED-
25 ERAL DEPOSIT INSURANCE ACT.—

1 (1) DEFINITIONS.—Section 3(y) of the Federal
2 Deposit Insurance Act (12 U.S.C. 1813(y)) is
3 amended to read as follows:

4 “(y) DEFINITIONS RELATING TO THE DEPOSIT IN-
5 SURANCE FUND.—

6 “(1) DEPOSIT INSURANCE FUND.—The terms
7 ‘Deposit Insurance Fund’ and ‘Fund’ mean the fund
8 established under section 11(a)(4).”.

9 (2) ASSESSMENTS.—Section 7 of the Federal
10 Deposit Insurance Act (12 U.S.C. 1817) is amend-
11 ed—

12 (A) by striking subsection (l);

13 (B) by redesignating subsections (m) and
14 (n) as subsections (l) and (m), respectively; and

15 (C) in subsection (b), by striking para-
16 graph (2) and inserting the following:

17 “(2) ASSESSMENTS.—

18 “(A) IN GENERAL.—Each insured deposi-
19 tory institution shall pay assessments to the
20 Corporation in such amounts and at such time
21 or times as the Board of Directors may require.

22 “(B) FACTORS TO BE CONSIDERED.—In
23 setting assessments for insured depository insti-
24 tutions, the Board of Directors shall consider—

1 “(i) the estimated operating expenses
2 of the Deposit Insurance Fund;

3 “(ii) the estimated case resolution ex-
4 penditures and income of the Deposit In-
5 surance Fund;

6 “(iii) the projected effects of assess-
7 ments on the earnings and capital of in-
8 sured depository institutions;

9 “(iv) the need to maintain a risk-
10 based assessment system under paragraph
11 (1); and

12 “(v) any other factors that the Board
13 of Directors may determine to be appro-
14 priate.

15 “(C) NOTICE OF ASSESSMENTS.—The Cor-
16 poration shall notify each insured depository in-
17 stitution of assessments charged to that institu-
18 tion.

19 “(D) NEWLY INSURED INSTITUTIONS.—To
20 facilitate the administration of this section, the
21 Board of Directors may waive the requirements
22 of paragraphs (1) and (2) for any assessment
23 period in which a depository institution becomes
24 insured.”.

1 (3) REPEAL OF SEPARATE FUNDS PROVI-
2 SIONS.—Section 11(a) of the Federal Deposit Insur-
3 ance Act (12 U.S.C. 1821(a)) is amended—

4 (A) by striking paragraphs (5), (6), and
5 (7); and

6 (B) by redesignating paragraph (8) as
7 paragraph (5).

8 **SEC. 104. TECHNICAL AND CONFORMING AMENDMENTS TO**
9 **THE FEDERAL DEPOSIT INSURANCE ACT.**

10 The Federal Deposit Insurance Act (12 U.S.C. 1811
11 et seq.) is amended—

12 (1) in section 3(a)(1) (12 U.S.C. 1813(a)(1)),
13 by striking subparagraph (B) and inserting the fol-
14 lowing:

15 “(B) includes any former savings associa-
16 tion.”;

17 (2) in section 5(b)(5) (12 U.S.C. 1815(b)(5)),
18 by striking “the Bank Insurance Fund or the Sav-
19 ings Association Insurance Fund;” and inserting
20 “the Deposit Insurance Fund;”;

21 (3) in section 5(c)(4), by striking “deposit in-
22 surance fund” and inserting “Deposit Insurance
23 Fund”;

24 (4) in section 5(d) (12 U.S.C. 1815(d)), by
25 striking paragraphs (2) and (3);

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

2 (A) in subparagraph (A), by striking “re-
3 serve ratios in the Bank Insurance Fund and
4 the Savings Association Insurance Fund as re-
5 quired by section 7” and inserting “the reserve
6 ratio of the Deposit Insurance Fund”;

7 (B) by striking subparagraph (B) and in-
8 serting the following:

9 “(2) FEE CREDITED TO THE DEPOSIT INSUR-
10 ANCE FUND.—The fee paid by the depository insti-
11 tution under paragraph (1) shall be credited to the
12 Deposit Insurance Fund.”;

13 (C) by striking “INSTITUTIONS.—” and all
14 that follows through “GENERAL.—” and insert-
15 ing “INSTITUTIONS.—”; and

16 (D) by redesignating subparagraph (C) as
17 paragraph (3) and moving the margin 2 ems to
18 the left;

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

20 (A) in paragraph (5)(A), by striking
21 “Bank Insurance Fund or the Savings Associa-
22 tion Insurance Fund” and inserting “Deposit
23 Insurance Fund”;

24 (B) by striking paragraph (6); and

1 (C) by redesignating paragraphs (7), (8),
2 and (9) as paragraphs (6), (7), and (8), respec-
3 tively;

4 (7) in section 6(5) (12 U.S.C. 1816(5)), by
5 striking “Bank Insurance Fund or the Savings As-
6 sociation Insurance Fund” and inserting “Deposit
7 Insurance Fund”;

8 (8) in section 7(a)(3) (12 U.S.C. 1817(a)(3))—

9 (A) by striking “in July”; and

10 (B) by striking “in January”;

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

12 (A) in paragraph (1)—

13 (i) in subparagraph (B)(ii), by strik-
14 ing “institution’s semiannual assessment”
15 and inserting “assessments for that insti-
16 tution under subsection (b)”;

17 (ii) in subparagraph (C)—

18 (I) by striking “a depository in-
19 stitution’s semiannual assessment”
20 and inserting “assessments for a de-
21 pository institution under subsection
22 (b)”;

23 (II) by striking “deposit insur-
24 ance fund” each place that term ap-

1 pears and inserting “Deposit Insur-
2 ance Fund”;

3 (B) in paragraph (1)(D), by striking “each
4 deposit insurance fund” and inserting “the De-
5 posit Insurance Fund”;

6 (C) by striking paragraph (4) and redesignig-
7 nating paragraphs (5) through (7) as para-
8 graphs (4) through (6), respectively;

9 (D) in paragraph (5), as so redesignated—

10 (i) by striking “any such assessment”
11 and inserting “any such assessment is nec-
12 essary”;

13 (ii) by striking subparagraph (B);

14 (iii) in subparagraph (A)—

15 (I) by striking “(A) is nec-
16 essary—”;

17 (II) by striking “Bank Insurance
18 Fund members” and inserting “in-
19 sured depository institutions”; and

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

24 (iv) in subparagraph (C) (as redesignig-
25 nated)—

1 (I) by inserting “that” before
2 “the Corporation”; and

3 (II) by striking “; and” and in-
4 serting a period; and

5 (E) in paragraph (6), as so redesignated,
6 by striking “semiannual assessment” and in-
7 serting “assessment under subsection (b)”;

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

9 (A) in paragraph (1), by striking “institu-
10 tion’s semiannual assessment” and inserting
11 “assessments for that institution under sub-
12 section (b)”;

13 (B) by striking paragraphs (2) and (3);
14 and

15 (C) by redesignating paragraph (4) as
16 paragraph (2); and

17 (11) in section 7(j)(7)(F) (12 U.S.C.
18 1817(j)(7)(F)), by striking “Bank Insurance Fund
19 or the Savings Association Insurance Fund” and in-
20 serting “Deposit Insurance Fund”;

21 (12) in section 8 (12 U.S.C. 1818)—

22 (A) in subsection (p), by striking “semi-
23 annual”;

24 (B) in subsection (q), by striking “semi-
25 annual” and inserting “assessment”; and

1 (C) in subsection (t)(2)(C), by striking
2 “deposit insurance fund” and inserting “De-
3 posit Insurance Fund”;

4 (13) in section 11 (12 U.S.C. 1821), by striking
5 “deposit insurance fund” each place that term ap-
6 pears and inserting “Deposit Insurance Fund”;

7 (14) in section 11(f)(1) (12 U.S.C. 1821(f)(1)),
8 by striking “, except that—” and all that follows
9 through the end of the paragraph and inserting a
10 period;

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

13 (A) by striking subparagraph (B);

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

16 (C) in subparagraph (B) (as redesignated),
17 by striking “subparagraphs (A) and (B)” and
18 inserting “subparagraph (A)”;

19 (16) in section 11(p)(2)(B) (12 U.S.C.
20 1821(p)(2)(B)), by striking “institution, any” and
21 inserting “institution, the”;

22 (17) in section 12(f)(4)(E)(iv) (12 U.S.C.
23 1822(f)(4)(E)(iv)), by striking “Federal deposit in-
24 surance funds” and inserting “the Deposit Insur-

1 ance Fund, or any predecessor deposit insurance
2 fund”;

3 (18) in section 13 (12 U.S.C. 1823)—

4 (A) by striking “deposit insurance fund”
5 each place that term appears and inserting
6 “Deposit Insurance Fund”;

7 (B) in subsection (a)(1), by striking “Bank
8 Insurance Fund, the Savings Association Insur-
9 ance Fund,” and inserting “Deposit Insurance
10 Fund”;

11 (C) in subsection (c)(4)(E)—

12 (i) in the subparagraph heading, by
13 striking “FUNDS” and inserting “FUND”;
14 and

15 (ii) in clause (i), by striking “any in-
16 surance fund” and inserting “the Deposit
17 Insurance Fund”;

18 (D) in subsection (c)(4)(G)(ii)—

19 (i) by striking “appropriate insurance
20 fund” and inserting “Deposit Insurance
21 Fund”;

22 (ii) by striking “the members of the
23 insurance fund (of which such institution
24 is a member)” and inserting “insured de-
25 pository institutions”;

1 (iii) by striking “each member’s” and
2 inserting “each insured depository institu-
3 tion’s”;

4 (iv) by striking “the member’s” each
5 place that term appears and inserting “the
6 institution’s”; and

7 (v) in subclause (II), by striking
8 “semiannual” and inserting “applicable as-
9 sessment”;

10 (E) in subsection (c), by striking para-
11 graph (11);

12 (F) in subsection (h), by striking “Bank
13 Insurance Fund” and inserting “Deposit Insur-
14 ance Fund”;

15 (G) in subsection (k)(4)(B)(i), by striking
16 “Savings Association Insurance Fund member”
17 and inserting “savings association”;

18 (H) in subsection (k)(5)—

19 (i) in subparagraph (A), by striking
20 “Savings Association Insurance Fund
21 members” and inserting “savings associa-
22 tions”;

23 (ii) by striking “member’s” each place
24 that term appears and inserting “savings
25 association’s”; and

1 (iii) by striking “member” each place
2 that term appears and inserting “savings
3 association”;

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

6 (A) by striking “Bank Insurance Fund or
7 the Savings Association Insurance Fund” and
8 inserting “Deposit Insurance Fund”; and

9 (B) by striking “each such fund” and in-
10 sserting “the Deposit Insurance Fund”;

11 (20) in section 14(b) (12 U.S.C. 1824(b)), by
12 striking “Bank Insurance Fund or Savings Associa-
13 tion Insurance Fund” and inserting “Deposit Insur-
14 ance Fund”;

15 (21) in section 14(c) (12 U.S.C. 1824(c))—

16 (A) in paragraph (2)(A), by striking “(7)”
17 and inserting “(6)”; and

18 (B) by striking paragraph (3);

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

20 (A) by striking “Bank Insurance Fund
21 member” each place that term appears and in-
22 sserting “insured depository institution”;

23 (B) by striking “Bank Insurance Fund
24 members” each place that term appears and in-
25 sserting “insured depository institutions”;

1 (C) by striking “Bank Insurance Fund”
2 each place that term appears (other than in
3 connection with a reference to a Bank Insur-
4 ance Fund member or members) and inserting
5 “Deposit Insurance Fund”;

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

8 “(d) BORROWING FOR THE DEPOSIT INSURANCE
9 FUND FROM INSURED DEPOSITORY INSTITUTIONS.—”;

10 (E) in paragraph (3), in the paragraph
11 heading, by striking “BIF” and inserting “THE
12 DEPOSIT INSURANCE FUND”; and

13 (F) in paragraph (5), in the paragraph
14 heading, by striking “BIF MEMBERS” and in-
15 serting “INSURED DEPOSITORY INSTITUTIONS”;

16 (23) in section 14 (12 U.S.C. 1824) by adding
17 at the end the following:

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

20 “(1) IN GENERAL.—The Corporation may bor-
21 row from the Federal home loan banks, with the
22 concurrence of the Federal Housing Finance Board,
23 such funds as the Corporation considers necessary
24 for the use of the Deposit Insurance Fund.

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

4 “(A) bear a rate of interest of not less
5 than the current marginal cost of funds to that
6 bank, taking into account the maturities in-
7 volved;

8 “(B) be adequately secured, as determined
9 by the Federal Housing Finance Board; and

10 “(C) be a direct liability of the Deposit In-
11 surance Fund.”;

12 (24) in section 15(c)(5) (12 U.S.C.
13 1825(c)(5))—

14 (A) by striking “the Bank Insurance Fund
15 or Savings Association Insurance Fund, respec-
16 tively” each place that term appears and insert-
17 ing “the Deposit Insurance Fund”; and

18 (B) in subparagraph (B), by striking “the
19 Bank Insurance Fund or the Savings Associa-
20 tion Insurance Fund, respectively” and insert-
21 ing “the Deposit Insurance Fund”;

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

23 (A) in the subsection heading, by striking
24 “BIF, SAIF,” and inserting “THE DEPOSIT IN-
25 SURANCE FUND”; and

1 (B) in paragraph (1)—

2 (i) by striking “the Bank Insurance
3 Fund, the Savings Association Insurance
4 Fund,” each place that term appears and
5 inserting “the Deposit Insurance Fund”;
6 and

7 (ii) in subparagraph (D), by striking
8 “each insurance fund” and inserting “the
9 Fund”;

10 (26) in section 17(d) (12 U.S.C. 1827(d)), by
11 striking “, the Bank Insurance Fund, the Savings
12 Association Insurance Fund,” each place that term
13 appears and inserting “the Deposit Insurance
14 Fund”;

15 (27) in section 18(m) (12 U.S.C. 1828(m))—

16 (A) in paragraph (2), in the matter pre-
17 ceding subparagraph (A), by striking the colon
18 and inserting a dash;

19 (B) in paragraph (3)(A)—

20 (i) by striking “poses a serious threat
21 to the Savings Association Insurance
22 Fund” and inserting “of an insured sav-
23 ings association poses a serious threat to
24 the Deposit Insurance Fund”; and

1 (ii) by striking “Savings Association
2 Insurance Fund member” and inserting
3 “insured savings association”; and

4 (C) in paragraph (3)(C), by striking “Sav-
5 ings Association Insurance Fund or the Bank
6 Insurance Fund” and inserting “Deposit Insur-
7 ance Fund”;

8 (28) in section 18(o) (12 U.S.C. 1828(o)), by
9 striking “deposit insurance funds” and “deposit in-
10 surance fund” each place those terms appear and in-
11 sserting “Deposit Insurance Fund”;

12 (29) in section 18(p) (12 U.S.C. 1828(p)), by
13 striking “deposit insurance funds” and inserting
14 “Deposit Insurance Fund”;

15 (30) in section 24 (12 U.S.C. 1831a)—

16 (A) in subsections (a)(1) and (d)(1)(A), by
17 striking “appropriate deposit insurance fund”
18 each place that term appears and inserting
19 “Deposit Insurance Fund”;

20 (B) in subsection (e)(2)(A), by striking
21 “risk to” and all that follows through the pe-
22 riod and inserting “risk to the Deposit Insur-
23 ance Fund.”; and

24 (C) in subsections (e)(2)(B)(ii) and
25 (f)(6)(B), by striking “the insurance fund of

1 which such bank is a member” each place that
2 term appears and inserting “the Deposit Insur-
3 ance Fund”;

4 (31) in section 28 (12 U.S.C. 1831e), by strik-
5 ing “affected deposit insurance fund” each place
6 that term appears and inserting “Deposit Insurance
7 Fund”;

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

9 (33) in section 36(i)(3) (12 U.S.C.
10 1831m(i)(3)), by striking “affected deposit insur-
11 ance fund” and inserting “Deposit Insurance
12 Fund”;

13 (34) in section 37(a)(1)(C) (12 U.S.C.
14 1831n(a)(1)(C)), by striking “insurance funds” and
15 inserting “Deposit Insurance Fund”;

16 (35) in section 38 (12 U.S.C. 1831o), by strik-
17 ing “the deposit insurance fund” each place that
18 term appears and inserting “the Deposit Insurance
19 Fund”;

20 (36) in section 38(a) (12 U.S.C. 1831o(a)), in
21 the subsection heading, by striking “FUNDS” and in-
22 serting “FUND”;

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

1 (A) in paragraph (1), by striking “a de-
2 posit insurance fund” and inserting “the De-
3 posit Insurance Fund”;

4 (B) in paragraph (2), by striking “A de-
5 posit insurance fund” and inserting “The De-
6 posit Insurance Fund”; and

7 (C) in paragraphs (2)(A) and (3)(B), by
8 striking “the deposit insurance fund’s outlays”
9 each place that term appears and inserting “the
10 outlays of the Deposit Insurance Fund”; and
11 (38) in section 38(o) (12 U.S.C. 1831o(o))—

12 (A) by striking “ASSOCIATIONS.—” and all
13 that follows through “Subsections (e)(2)” in
14 paragraph (2) and inserting “ASSOCIATIONS.—
15 Subsections (e)(2)”;

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

20 (C) in paragraph (1) (as so redesignated),
21 by redesignating clauses (i) and (ii) as subpara-
22 graphs (A) and (B), respectively, and moving
23 the margins 2 ems to the left.

1 **SEC. 105. OTHER TECHNICAL AND CONFORMING AMEND-**
2 **MENTS.**

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

9 (b) INVESTMENTS PROMOTING PUBLIC WELFARE;
10 LIMITATIONS ON AGGREGATE INVESTMENTS.—The 23d
11 undesignated paragraph of section 9 of the Federal Re-
12 serve Act (12 U.S.C. 338a) is amended in the 4th sen-
13 tence, by striking “affected deposit insurance fund” and
14 inserting “Deposit Insurance Fund”.

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

20 (d) AMENDMENTS TO THE BALANCED BUDGET AND
21 EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section
22 255(g)(1)(A) of the Balanced Budget and Emergency
23 Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(A)) is
24 amended—

25 (1) by striking “Bank Insurance Fund” and in-
26 serting “Deposit Insurance Fund”; and

1 (2) by striking “Federal Deposit Insurance Cor-
2 poration, Savings Association Insurance Fund;”.

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

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

7 (A) in the subsection heading, by striking
8 “SAIF” and inserting “THE DEPOSIT INSUR-
9 ANCE FUND”; and

10 (B) by striking “Savings Association In-
11 surance Fund” each place that term appears
12 and inserting “Deposit Insurance Fund”;

13 (2) in section 21 (12 U.S.C. 1441)—

14 (A) in subsection (f)(2), by striking “, ex-
15 cept that” and all that follows through the end
16 of the paragraph and inserting a period; and

17 (B) in subsection (k), by striking para-
18 graph (4);

19 (3) in section 21A(b)(4)(B) (12 U.S.C.
20 1441a(b)(4)(B)), by striking “affected deposit insur-
21 ance fund” and inserting “Deposit Insurance
22 Fund”; and

23 (4) in section 21B(k) (12 U.S.C. 1441b(k)) by
24 inserting before the colon “, the following definitions
25 shall apply”.

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

4 (1) in section 5 (12 U.S.C. 1464)—

5 (A) in subsection (c)(6), by striking “As
6 used in this subsection—” and inserting “For
7 purposes of this subsection, the following defini-
8 tions shall apply:”;

9 (B) in subsection (o)(1), by striking “that
10 is a Bank Insurance Fund member”;

11 (C) in subsection (o)(2)(A), by striking “a
12 Bank Insurance Fund member until such time
13 as it changes its status to a Savings Association
14 Insurance Fund member” and inserting “in-
15 sured by the Deposit Insurance Fund”;

16 (D) in subsection (t)(5)(D)(iii)(II), by
17 striking “affected deposit insurance fund” and
18 inserting “Deposit Insurance Fund”;

19 (E) in subsection (t)(7)(C)(i)(I), by strik-
20 ing “affected deposit insurance fund” and in-
21 serting “Deposit Insurance Fund”; and

22 (F) in subsection (v)(2)(A)(i), by striking
23 “the Savings Association Insurance Fund” and
24 inserting “or the Deposit Insurance Fund”; and

25 (2) in section 10 (12 U.S.C. 1467a)—

1 (A) in subsection (c)(6)(D), by striking
2 “this title” and inserting “this Act”;

3 (B) in subsection (e)(1)(B), by striking
4 “Savings Association Insurance Fund or Bank
5 Insurance Fund” and inserting “Deposit Insur-
6 ance Fund”;

7 (C) in subsection (e)(2), by striking “Sav-
8 ings Association Insurance Fund or the Bank
9 Insurance Fund” and inserting “Deposit Insur-
10 ance Fund”;

11 (D) in subsection (e)(4)(B), by striking
12 “subsection (1)” and inserting “subsection (l)”;

13 (E) in subsection (g)(3)(A), by striking
14 “(5) of this section” and inserting “(5) of this
15 subsection”;

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

18 (G) in subsection (m)(3), by striking sub-
19 paragraph (E), and by redesignating subpara-
20 graphs (F), (G), and (H) as subparagraphs
21 (E), (F), and (G), respectively;

22 (H) in subsection (m)(7)(A), by striking
23 “during period” and inserting “during the pe-
24 riod”; and

1 (I) in subsection (o)(3)(D), by striking
2 “sections 5(s) and (t) of this Act” and inserting
3 “subsections (s) and (t) of section 5”.

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

7 (1) in section 317(b)(1)(B) (12 U.S.C.
8 1723i(b)(1)(B)), by striking “Bank Insurance Fund
9 for banks or through the Savings Association Insur-
10 ance Fund for savings associations” and inserting
11 “Deposit Insurance Fund”; and

12 (2) in section 536(b)(1)(B)(ii) (12 U.S.C.
13 1735f–14(b)(1)(B)(ii)), by striking “Bank Insurance
14 Fund for banks and through the Savings Association
15 Insurance Fund for savings associations” and insert-
16 ing “Deposit Insurance Fund”.

17 (h) AMENDMENTS TO THE FINANCIAL INSTITUTIONS
18 REFORM, RECOVERY, AND ENFORCEMENT ACT OF
19 1989.—The Financial Institutions Reform, Recovery, and
20 Enforcement Act of 1989 (12 U.S.C. 1811 note) is
21 amended—

22 (1) in section 951(b)(3)(B) (12 U.S.C.
23 1833a(b)(3)(B)), by striking “Bank Insurance
24 Fund, the Savings Association Insurance Fund,”

1 and inserting “Deposit Insurance Fund (or any
2 predecessor deposit insurance fund)”; and

3 (2) in section 1112(e)(1)(B) (12 U.S.C.
4 3341(e)(1)(B)), by striking “Bank Insurance Fund,
5 the Savings Association Insurance Fund,” and in-
6 serting “Deposit Insurance Fund”.

7 (i) AMENDMENT TO THE BANK HOLDING COMPANY
8 ACT OF 1956.—The Bank Holding Company Act of 1956
9 (12 U.S.C. 1841 et seq.) is amended—

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

13 (2) in section 3(d)(1)(D)(iii) (12 U.S.C.
14 1842(d)(1)(D)(iii)), by striking “appropriate deposit
15 insurance fund” and inserting “Deposit Insurance
16 Fund”.

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

1 **SEC. 106. EFFECTIVE DATE.**

2 This title and the amendments made by this title
3 shall become effective on the first day of the first calendar
4 quarter that begins more than 90 days after the date of
5 enactment of this Act.

6 **TITLE II—DEPOSIT INSURANCE**
7 **MODERNIZATION AND IM-**
8 **PROVEMENT**

9 **SEC. 201. SHORT TITLE.**

10 This title may be cited as the “Deposit Insurance Re-
11 form Act of 2005”.

12 **SEC. 202. INCREASE IN FEDERAL INSURANCE COVERAGE.**

13 (a) INSURED DEPOSITORY INSTITUTIONS.—

14 (1) IN GENERAL.—Section 11(a)(1) of the Fed-
15 eral Deposit Insurance Act (12 U.S.C. 1821(a)(1))
16 is amended—

17 (A) by striking subparagraph (B) and in-
18 serting the following:

19 “(B) NET AMOUNT OF INSURED DEPOS-
20 ITS.—The net amount of deposit insurance pay-
21 able to any depositor at an insured depository
22 institution shall not exceed the standard max-
23 imum deposit insurance amount, as determined
24 in accordance with paragraph (3) and subpara-
25 graphs (C), (D), (E), and (F) of this para-
26 graph.”; and

1 (B) by striking subparagraph (D) and in-
2 serting the following:

3 “(D) COVERAGE FOR CERTAIN EMPLOYEE
4 BENEFIT PLAN DEPOSITS.—

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

9 “(ii) PROHIBITION ON ACCEPTANCE
10 OF BENEFIT PLAN DEPOSITS.—An insured
11 depository institution that is not well cap-
12 italized or adequately capitalized may not
13 accept employee benefit plan deposits.

14 “(iii) DEFINITIONS.—For purposes of
15 this subparagraph, the following definitions
16 shall apply:

17 “(I) CAPITAL STANDARDS.—The
18 terms ‘well capitalized’ and ‘ade-
19 quately capitalized’ have the same
20 meanings as in section 38.

21 “(II) EMPLOYEE BENEFIT
22 PLAN.—The term ‘employee benefit
23 plan’ has the same meaning as in
24 paragraph (5)(B)(ii), and includes any
25 eligible deferred compensation plan

1 described in section 457 of the Inter-
2 nal Revenue Code of 1986.

3 “(III) PASS-THROUGH DEPOSIT
4 INSURANCE.—The term ‘pass-through
5 deposit insurance’ means, with respect
6 to an employee benefit plan, deposit
7 insurance coverage provided on a pro
8 rata basis to the participants in the
9 plan, in accordance with the interests
10 of each participant.

11 “(E) STANDARD MAXIMUM DEPOSIT IN-
12 SURANCE AMOUNT DEFINED.—For purposes of
13 this paragraph, the term ‘standard maximum
14 deposit insurance amount’ means, until the end
15 of the 5-year period beginning on the date of
16 enactment of the Deposit Insurance Reform Act
17 of 2005, \$100,000.

18 “(F) INFLATION ADJUSTMENT.—

19 “(i) IN GENERAL.—As of January 1,
20 2010, and as of the 1st day of each 5-year
21 period thereafter, the standard maximum
22 deposit insurance amount payable to any
23 depositor at an insured depository institu-
24 tion shall be increased by the product of—

25 “(I) \$100,000; and

1 “(II) the ratio of the value of the
2 Personal Consumption Expenditures
3 Chain-Type Index (or any successor
4 index thereto), published by the De-
5 partment of Commerce, for December
6 31 of the year preceding the year in
7 which the adjustment is calculated
8 under this clause, to the value of such
9 index for December 31 of the year
10 preceding the effective date of the In-
11 surance Funds Merger Act of 2005.

12 “(ii) LIMITATION ON ADJUST-
13 MENTS.—If the application of clause (i)
14 would result in any decrease in the stand-
15 ard maximum deposit insurance amount in
16 effect on the date of the adjustment under
17 clause (i), the standard maximum deposit
18 insurance amount shall remain unchanged
19 until the next scheduled 5-year adjustment
20 that does not result in any such decrease.

21 “(iii) ROUNDING.—If the amount de-
22 termined under clause (ii) for any period is
23 not a multiple of \$10,000, the amount so
24 determined shall be rounded to the nearest
25 \$10,000.

1 “(iv) PUBLICATION.—Not later than
2 January 1, 2010, and not later than April
3 1 of the 1st year of each subsequent 5-year
4 period referred to in clause (i), the Board
5 of Directors shall publish in the Federal
6 Register the standard maximum deposit in-
7 surance amount and the amount of deposit
8 insurance coverage under paragraph (3)(A)
9 that may be due to any depositor at an in-
10 sured depository institution during the ap-
11 plicable 5-year period.”.

12 (2) DEPOSIT INSURANCE FOR RETIREMENT AC-
13 COUNTS.—Section 11(a)(3)(A) of the Federal De-
14 posit Insurance Act (12 U.S.C. 1821(a)(3)(A)) is
15 amended—

16 (A) by striking “\$100,000” and inserting
17 “\$250,000”; and

18 (B) by inserting before the period at the
19 end the following: “which amount shall be sub-
20 ject to inflation adjustments in the same man-
21 ner as under paragraph (1)(F) with respect to
22 the standard maximum deposit insurance
23 amount, except that ‘\$250,000’ shall be sub-
24 stituted for the amount specified in clause (i) of

1 paragraph (1)(F) for purposes of this subpara-
2 graph”.

3 (3) DEPOSIT INSURANCE FOR MUNICIPAL DE-
4 POSITS.—Section 11(a)(2)(A) of the Federal Deposit
5 Insurance Act (12 U.S.C. 1821(a)(2)(A)) is amend-
6 ed in the matter following clause (v)—

7 (A) by striking “\$100,000” the first place
8 that term appears and inserting “the standard
9 maximum deposit insurance amount”;

10 (B) by striking “in an amount not to ex-
11 ceed \$100,000 per account” the second place
12 that term appears; and

13 (C) by inserting before the period at the
14 end the following: “, which amount shall be
15 subject to inflation adjustments in the same
16 manner as under paragraph (1)(F)”.

17 (4) TECHNICAL AND CONFORMING AMENDMENT
18 RELATING TO INSURANCE OF TRUST FUNDS.—Sec-
19 tion 7(i) of the Federal Deposit Insurance Act (12
20 U.S.C. 1817(i)) is amended in each of paragraphs
21 (1) and (3), by striking “\$100,000” each place it
22 appears and inserting “the standard maximum de-
23 posit insurance amount (as determined under section
24 11(a)(1))”.

1 (5) OTHER TECHNICAL AND CONFORMING
2 AMENDMENTS.—The Federal Deposit Insurance Act
3 (12 U.S.C. 1811 et seq.) is amended—

4 (A) in section 11(m)(6) (12 U.S.C.
5 1821(m)(6)), by striking “\$100,000” and in-
6 serting “an amount equal to the standard max-
7 imum deposit insurance amount (as determined
8 under subsection (a)(1))”;

9 (B) in section 18 (12 U.S.C. 1828), by
10 striking subsection (a) and inserting the fol-
11 lowing:

12 “(a) INSURANCE LOGO.—

13 “(1) INSURED DEPOSITORY INSTITUTIONS.—
14 Each insured depository institution shall display at
15 each place of business maintained by that institution
16 a sign or signs relating to the insurance of the de-
17 posits of the institution, in accordance with regula-
18 tions to be prescribed by the Corporation.

19 “(2) REGULATIONS.—The Corporation shall
20 prescribe regulations to carry out this subsection, in-
21 cluding regulations governing the substance of signs
22 required by paragraph (1) and the manner of dis-
23 play or use of such signs.

24 “(3) PENALTIES.—For each day that an in-
25 sured depository institution continues to violate this

1 subsection or any regulation issued under this sub-
 2 section, it shall be subject to a penalty of not more
 3 than \$100, which the Corporation may recover for
 4 its use.”; and

5 (C) in section 43(d) (12 U.S.C. 1831t(d)),
 6 by striking “\$100,000” and inserting “an
 7 amount equal to the standard maximum deposit
 8 insurance amount (as determined under section
 9 11(a)(1))”.

10 (b) INSURED CREDIT UNIONS.—

11 (1) IN GENERAL.—Section 207(k) of the Fed-
 12 eral Credit Union Act (12 U.S.C. 1787(k)) is
 13 amended—

14 (A) by striking “(k)(1)” and all that fol-
 15 lows through the end of paragraph (1) and in-
 16 serting the following:

17 “(k) INSURED AMOUNTS PAYABLE.—

18 “(1) NET INSURED AMOUNT.—

19 “(A) IN GENERAL.—Subject to the provi-
 20 sions of paragraph (2), the net amount of share
 21 insurance payable to any member at an insured
 22 credit union shall not exceed the total amount
 23 of the shares or deposits in the name of the
 24 member (after deducting offsets), less any part
 25 thereof which is in excess of the standard max-

1 imum share insurance amount, as determined
2 in accordance with this paragraph and para-
3 graphs (5) and (6), and consistent with actions
4 taken by the Federal Deposit Insurance Cor-
5 poration under section 11(a) of the Federal De-
6 posit Insurance Act.

7 “(B) AGGREGATION.—Determination of
8 the net amount of share insurance under sub-
9 paragraph (A), shall be in accordance with such
10 regulations as the Board may prescribe, and, in
11 determining the amount payable to any mem-
12 ber, there shall be added together all accounts
13 in the credit union maintained by that member
14 for that member’s own benefit, either in the
15 member’s own name or in the names of others.

16 “(C) AUTHORITY TO DEFINE THE EXTENT
17 OF COVERAGE.—The Board may define, with
18 such classifications and exceptions as it may
19 prescribe, the extent of the share insurance cov-
20 erage provided for member accounts, including
21 member accounts in the name of a minor, in
22 trust, or in joint tenancy.”; and

23 (B) by adding at the end the following:

24 “(4) COVERAGE FOR CERTAIN EMPLOYEE BEN-
25 EFIT PLAN DEPOSITS.—

1 “(A) PASS-THROUGH INSURANCE.—The
2 Administration shall provide pass-through share
3 insurance for the deposits or shares of any em-
4 ployee benefit plan, subject to subparagraph
5 (B).

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

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

12 “(i) CAPITAL STANDARDS.—The
13 terms ‘well capitalized’ and ‘adequately
14 capitalized’ have the same meanings as in
15 section 216(c), as added by section 301 of
16 the Credit Union Membership Access Act
17 (Public Law 105–219, 112 Stat. 931).

18 “(ii) EMPLOYEE BENEFIT PLAN.—
19 The term ‘employee benefit plan’—

20 “(I) has the meaning given to
21 such term in section 3(3) of the Em-
22 ployee Retirement Income Security
23 Act of 1974;

1 “(II) includes any plan described
2 in section 401(d) of the Internal Rev-
3 enue Code of 1986; and

4 “(III) includes any eligible de-
5 ferred compensation plan described in
6 section 457 of the Internal Revenue
7 Code of 1986.

8 “(iii) PASS-THROUGH SHARE INSUR-
9 ANCE.—The term ‘pass-through share in-
10 surance’ means, with respect to an em-
11 ployee benefit plan, insurance coverage
12 provided on a pro rata basis to the partici-
13 pants in the plan, in accordance with the
14 interest of each participant.

15 “(5) STANDARD MAXIMUM SHARE INSURANCE
16 AMOUNT DEFINED.—For purposes of this sub-
17 section, the term ‘standard maximum share insur-
18 ance amount’ means, until the end of the 270-day
19 period beginning on the date of enactment of the
20 Deposit Insurance Reform Act of 2005, \$100,000.

21 “(6) INFLATION ADJUSTMENT.—

22 “(A) IN GENERAL.—As of January 1,
23 2010, and as of the 1st day of each subsequent
24 5-year period, the standard maximum share in-
25 surance amount payable to any member of an

1 insured credit union shall be increased by the
2 product of—

3 “(i) \$100,000; and

4 “(ii) the ratio of the value of the Per-
5 sonal Consumption Expenditures Chain-
6 Type Index (or any successor index there-
7 to), published by the Department of Com-
8 merce, as in effect on the date of the ad-
9 justment under this clause.

10 “(B) LIMITATION ON ADJUSTMENTS.—If
11 the application of subparagraph (A) would re-
12 sult in any decrease in the standard maximum
13 share insurance amount in effect on the date of
14 the adjustment under clause (i), the standard
15 maximum share insurance amount shall remain
16 unchanged until the next scheduled 5-year ad-
17 justment that does not result in any such de-
18 crease.

19 “(C) ROUNDING.—If the amount deter-
20 mined under subparagraph (B) for any period
21 is not a multiple of \$10,000, the amount so de-
22 termined shall be rounded to the nearest
23 \$10,000.

24 “(D) PUBLICATION.—Not later than Janu-
25 ary 31 of the 1st year of each 5-year period re-

1 ferred to in subparagraph (A), the Board shall
2 publish in the Federal Register the standard
3 maximum share insurance amount and the
4 amount of share insurance coverage under
5 paragraph (3) that may be due to any member
6 at an insured credit union during that 5-year
7 period.”; and

8 (C) in paragraph (3), by striking
9 “\$100,000 per account” and inserting the fol-
10 lowing: “\$250,000 per account, which amount
11 shall be subject to inflation adjustments in the
12 same manner as under paragraph (6) with re-
13 spect to the standard maximum share insurance
14 amount (as determined under paragraph (5),
15 except that ‘\$250,000’ shall be substituted for
16 the amount specified in paragraph (5)(A)(i) for
17 purposes of this paragraph).”.

18 (2) TECHNICAL AMENDMENT.—Section 202(h)
19 of the Federal Credit Union Act (12 U.S.C.
20 1782(h)) is amended by striking “207(c)(1)” and in-
21 serting “207(k)”.

22 (c) EFFECTIVE DATE.—Except as otherwise specifi-
23 cally provided in this section or the amendments made by
24 this section, this section and such amendments shall be-
25 come effective on the effective date of the regulations re-

1 quired under section 205(a)(2), relating to the implemen-
 2 tation of deposit insurance increases under this section.

3 **SEC. 203. DESIGNATED RESERVE RATIO.**

4 (a) IN GENERAL.—

5 (1) AMENDMENT TO SECTION 7.—Section
 6 7(b)(3) of the Federal Deposit Insurance Act (12
 7 U.S.C. 1817(b)(3)) is amended to read as follows:

8 “(3) DESIGNATED RESERVE RATIO.—

9 “(A) ACTION BY THE BOARD.—

10 “(i) IN GENERAL.—Before the begin-
 11 ning of each calendar year, the Board of
 12 Directors shall, subject to clause (ii)—

13 “(I) designate the reserve ratio
 14 applicable to the Deposit Insurance
 15 Fund for that year; and

16 “(II) publish the reserve ratio so
 17 designated.

18 “(ii) RULEMAKING.—Any change to
 19 the designated reserve ratio for any cal-
 20 endar year shall be made pursuant to sec-
 21 tion 553 of title 5, United States Code.

22 “(B) RANGE.—The reserve ratio des-
 23 igned by the Board of Directors for any
 24 year—

1 “(i) may not exceed 1.50 percent of
2 aggregate estimated insured deposits; and

3 “(ii) may not be less than 1.0 percent
4 of aggregate estimated insured deposits.

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

8 “(i) take into account the risk of
9 losses to the Deposit Insurance Fund in
10 that year and in future years;

11 “(ii) take into account economic con-
12 ditions generally affecting insured deposi-
13 tory institutions, to provide for an increase
14 in the designated reserve ratio during more
15 favorable economic conditions and to pro-
16 vide for a decrease in the designated re-
17 serve ratio during less favorable economic
18 conditions, notwithstanding the increased
19 risks of loss that may exist during such
20 less favorable conditions, as determined to
21 be appropriate by the Board;

22 “(iii) seek to prevent sharp swings in
23 the assessment rates for insured depository
24 institutions; and

1 “(iv) take into account such other fac-
2 tors as the Board of Directors may deter-
3 mine to be appropriate, consistent with the
4 requirements of this subparagraph.”.

5 (2) TECHNICAL AND CONFORMING AMEND-
6 MENTS.—Section 3(y) of the Federal Deposit Insur-
7 ance Act (12 U.S.C. 1813), as added by this Act, is
8 amended by adding at the end the following:

9 “(2) RESERVE RATIO.—The term ‘reserve ratio’
10 means the ratio of the fund balance of the Deposit
11 Insurance Fund to aggregate estimated insured de-
12 posits held in all insured depository institutions.

13 “(3) DESIGNATED RESERVE RATIO.—The term
14 ‘designated reserve ratio’ means the reserve ratio
15 designated by the Board of Directors under section
16 7(b)(3).”.

17 (3) EFFECTIVE DATE.—Subject to paragraph
18 (4), this subsection and the amendments made by
19 this subsection shall become effective on the effective
20 date of the regulations required under section
21 205(a)(1), relating to designation of the reserve
22 ratio by the Board.

23 (4) DESIGNATION OF INITIAL RESERVE RATIO
24 FOR DEPOSIT INSURANCE FUND.—During the period
25 beginning on the effective date of the merger of the

1 deposit insurance funds under section 102, and end-
 2 ing on the effective date of final regulations desig-
 3 nating the reserve ratio, as required by section
 4 205(a)(1), the designated reserve ratio of the De-
 5 posit Insurance Fund shall continue to be deter-
 6 mined pursuant to section 7(b)(2)(A)(iv), as in ef-
 7 fect on the day before the effective date of the merg-
 8 er under section 102.

9 (b) REQUIREMENTS APPLICABLE TO ANY MODIFICA-
 10 TION OF THE RISK-BASED ASSESSMENT SYSTEM.—Sec-
 11 tion 7(b)(1) of the Federal Deposit Insurance Act (12
 12 U.S.C. 1817(b)(1)) is amended by adding at the end the
 13 following:

14 “(E) REQUIREMENTS APPLICABLE TO ANY
 15 MODIFICATION OF THE RISK-BASED ASSESS-
 16 MENT SYSTEM.—

17 “(i) IN GENERAL.—In revising or
 18 modifying the risk-based assessment sys-
 19 tem at any time after the date of enact-
 20 ment of the Deposit Insurance Reform Act
 21 of 2005, the Board of Directors—

22 “(I) may not make any change to
 23 the information collected from or re-
 24 quired to be retained by insured de-
 25 pository institutions solely for pur-

1 poses of the assessment risk classifica-
2 tion, as defined by regulations of the
3 Board, if the change would result in
4 the imposition of an overall greater
5 regulatory or reporting burden on in-
6 sured depository institutions than was
7 the case before that date of enact-
8 ment; and

9 “(II) may implement any such
10 revision or modification in final form
11 only after notice and opportunity for
12 comment.

13 “(ii) **RULE OF CONSTRUCTION.**—An
14 increase in an assessment rate or a revi-
15 sion of the assessment base shall not be
16 considered to be a revision or modification
17 resulting in greater regulatory or reporting
18 burden for purposes of this subpara-
19 graph.”.

20 **SEC. 204. ASSESSMENT CREDITS AND DIVIDENDS.**

21 (a) **IN GENERAL.**—Section 7(e) of the Federal De-
22 posit Insurance Act (12 U.S.C. 1817(e)) is amended to
23 read as follows:

24 “(e) **CREDITS AND DIVIDENDS.**—

1 “(1) ONE-TIME CREDIT BASED ON TOTAL AS-
2 ASSESSMENT BASE AT YEAR-END 1996.—

3 “(A) IN GENERAL.—The Board of Direc-
4 tors shall, by regulation, provide for a credit to
5 each insured depository institution that was in
6 existence on December 31, 1996, and that had
7 paid a deposit insurance assessment prior to
8 that date (or a successor insured depository in-
9 stitution), based on the assessment base of the
10 institution on that date, as compared to the
11 combined aggregate assessment base of all such
12 institutions, taking into account such factors as
13 the Board may determine to be appropriate.

14 “(B) CREDIT LIMIT.—The aggregate
15 amount of credits available under subparagraph
16 (A) to all insured depository institutions that
17 are eligible for the credit shall not exceed the
18 amount that the Corporation could collect if it
19 imposed an assessment of 9 basis points on the
20 combined assessment base of the Bank Insur-
21 ance Fund and the Savings Association Insur-
22 ance Fund as of December 31, 2001.

23 “(C) APPLICATION OF CREDITS.—The
24 amount of a credit to any insured depository in-
25 stitution under this paragraph may be applied

1 by the Corporation to those portions of the as-
2 sessments under subsection (b) applicable to
3 that institution which become due for assess-
4 ment periods beginning after the effective date
5 of regulations required by subparagraph (A).

6 “(D) CHALLENGES TO CREDIT
7 AMOUNTS.—The regulations required by sub-
8 paragraph (A) shall include provisions allowing
9 an insured depository institution a reasonable
10 opportunity to challenge administratively the
11 amount of its credit under this paragraph. The
12 determination of the Corporation of the amount
13 of the credit following such challenge shall be
14 final, and not subject to judicial review.

15 “(2) ASSESSMENT CREDITS.—

16 “(A) AUTHORITY.—The Board of Direc-
17 tors shall, by regulation, establish the qualifica-
18 tions and procedures under which the Corpora-
19 tion would apply assessment credits for the as-
20 sessment periods beginning on or after the first
21 assessment period to which a credit under para-
22 graph (1) applies.

23 “(B) CRITERIA FOR DETERMINATION.—In
24 determining whether to provide assessment
25 credits under this paragraph and in what

1 amounts, the Board of Directors shall take into
2 account the factors for setting assessments
3 under subsection (b)(2) and the factors for des-
4 ignating the reserve ratio under subsection
5 (b)(3).

6 “(3) DIVIDENDS.—

7 “(A) RESERVE RATIO IN EXCESS OF 1.50
8 PERCENT OF ESTIMATED INSURED DEPOSITS.—
9 The Corporation shall provide cash dividends to
10 insured depository institutions in accordance
11 with this paragraph if the reserve ratio of the
12 Deposit Insurance Fund exceeds the maximum
13 amount established under subsection
14 (b)(3)(B)(i), to the extent of that excess
15 amount.

16 “(B) AMOUNT EQUAL TO OR IN EXCESS OF
17 1.40 PERCENT OF ESTIMATED INSURED DEPOS-
18 ITS AND NOT MORE THAN 1.50 PERCENT.—The
19 Corporation shall provide cash dividends to in-
20 sured depository institutions in accordance with
21 this paragraph if the reserve ratio of the De-
22 posit Insurance Fund equals or exceeds 1.40
23 and is not more than 1.50 percent, and that
24 amount shall equal 50 percent of the amount in
25 excess of the amount required to maintain the

1 reserve ratio at 1.40 percent of the estimated
2 insured deposits.

3 “(C) LIMITATION.—The Board of Direc-
4 tors may suspend or limit dividends paid under
5 this paragraph if the Board determines in writ-
6 ing that—

7 “(i) a significant risk of losses to the
8 Deposit Insurance Fund exists over the
9 next one-year period; and

10 “(ii) it is likely that such losses will be
11 sufficiently high as to justify a finding by
12 the Board that the reserve ratio should
13 temporarily exceed the maximum amount
14 established under subsection (b)(3)(B)(i).

15 “(D) CONSIDERATIONS.—In making a de-
16 termination under subparagraph (B), the Board
17 shall consider—

18 “(i) national and regional conditions
19 and their impact on insured depository in-
20 stitutions;

21 “(ii) potential problems affecting in-
22 sured depository institutions or a specific
23 group or type of depository institution;

24 “(iii) the degree to which the contin-
25 gent liability of the Corporation for antici-

1 pated failures of insured institutions ade-
2 quately addresses concerns over funding
3 levels in the Deposit Insurance Fund; and

4 “(iv) any other factors that the Board
5 determines is appropriate.

6 “(E) REPORT TO CONGRESS.—

7 “(i) SUBMISSION.—Any determination
8 under subparagraph (B) shall be submitted
9 to the Committee on Banking, Housing,
10 and Urban Affairs of the Senate and the
11 Committee on Financial Services of the
12 House of Representatives, not later than
13 270 days after making such determination.

14 “(ii) CONTENT.—The report sub-
15 mitted under clause (i) shall include—

16 “(I) a complete explanation for
17 the determination; and

18 “(II) a discussion of the factors
19 required to be considered under sub-
20 paragraph (C).

21 “(F) REVIEW OF DETERMINATION.—

22 “(i) ANNUAL REVIEW.—A determina-
23 tion to suspend or limit dividends under
24 subparagraph (B) shall be reviewed by the
25 Board of Directors annually.

1 “(ii) ACTION BY BOARD.—Based on
2 each annual review under clause (i), the
3 Board of Directors shall either renew or
4 remove a determination to suspend or limit
5 dividends under subparagraph (B), or shall
6 make a new determination in accordance
7 with this paragraph. Unless justified under
8 the terms of the renewal or new determina-
9 tion, any amount as is in the Fund in ex-
10 cess of the amount required to maintain
11 the reserve ratio at the maximum amount
12 established under subsection (b)(3)(B)(i)
13 shall be paid as dividends to insured depos-
14 itory institutions in accordance with this
15 paragraph.”.

16 (b) EFFECTIVE DATE.—The amendments made by
17 this section shall become effective on the effective date of
18 the regulations required to be issued under section
19 205(a)(2), relating to implementation of the one-time as-
20 sessment credit.

21 **SEC. 205. REGULATIONS REQUIRED.**

22 (a) IN GENERAL.—Not later than 270 days after the
23 date of enactment of this Act, the Board shall issue final
24 regulations, in accordance with section 553 of chapter 5
25 of title 5, United States Code—

1 (1) designating the reserve ratio for the Deposit
2 Insurance Fund in accordance with section 7(b)(3)
3 of the Federal Deposit Insurance Act, as amended
4 by section 203 of this Act, which regulations shall
5 become effective not later than 90 days after the
6 date of their publication in final form;

7 (2) implementing increases in deposit insurance
8 coverage in accordance with the amendments made
9 by section 202, which regulations shall become effec-
10 tive not later than 90 days after the date of their
11 publication in final form;

12 (3) implementing the one-time assessment cred-
13 it to certain insured depository institutions in ac-
14 cordance with section 7(e)(2) of the Federal Deposit
15 Insurance Act, as amended by section 204 of this
16 Act;

17 (4) establishing the qualifications and proce-
18 dures under which the Corporation may provide on-
19 going assessment credits, under section 7(e)(3) of
20 the Federal Deposit Insurance Act, as amended by
21 section 204 of this Act; and

22 (5) providing for assessments under section 7 of
23 the Federal Deposit Insurance Act, as amended by
24 this Act, which regulations shall become effective on

1 the effective date of the regulations required by
2 paragraph (3).

3 (b) SAVINGS CLAUSE.—

4 (1) IN GENERAL.—Nothing in this Act or the
5 amendments made by this Act shall be construed to
6 affect the authority of the Corporation with regard
7 to the setting or collection of deposit insurance as-
8 sessments prior to the effective date of any regula-
9 tions required under subsection (a).

10 (2) PRESERVATION OF MINIMUM ASSESSMENT
11 PROVISION.—Subparagraph (E) of section 7(b)(2) of
12 the Federal Deposit Insurance Act (12 U.S.C.
13 1817(b)(2)), as in effect on the day before the effec-
14 tive date of title I of this Act, shall continue to apply
15 with respect to deposit insurance assessments im-
16 posed prior to the effective date of the regulations
17 required under subsection (a)(5) of this section.

18 **SEC. 206. STUDIES OF POTENTIAL CHANGES TO THE FED-**

19 **ERAL DEPOSIT INSURANCE SYSTEM.**

20 (a) STUDY AND REPORT BY FDIC AND NCUA.—

21 (1) STUDY.—The Board of Directors of the
22 Federal Deposit Insurance Corporation and the Na-
23 tional Credit Union Administration Board shall each
24 conduct a study of—

1 (A) the feasibility of increasing the limit
2 on deposit insurance for deposits of municipali-
3 ties and other units of general local govern-
4 ment, and the potential benefits and the poten-
5 tial adverse consequences that may result from
6 any such increase; and

7 (B) the feasibility of establishing a vol-
8 untary deposit insurance system for deposits in
9 excess of the maximum amount of deposit in-
10 surance for any depositor, and the potential
11 benefits and the potential adverse consequences
12 that may result from the establishment of any
13 such system.

14 (2) REPORT.—Not later than 1 year after the
15 date of enactment of this Act, the Board of Direc-
16 tors of the Federal Deposit Insurance Corporation
17 and the National Credit Union Administration
18 Board shall each submit a report to the Congress on
19 the study required under paragraph (1), containing
20 the findings and conclusions of the reporting agency,
21 together with such recommendations for legislative
22 or administrative changes as the agency may deter-
23 mine to be appropriate.

24 (b) STUDY AND REPORT REGARDING APPROPRIATE
25 RESERVE RATIO.—

1 (1) STUDY.—The Corporation shall conduct a
2 study on the feasibility of using actual deposits rather
3 than estimated insured deposits in calculating the
4 reserve ratio of the Deposit Insurance Fund.

5 (2) REPORT.—Not later than 1 year after the
6 date of enactment of this Act, the Board shall submit
7 a report to Congress on the results of the study
8 required under paragraph (1), together with such
9 recommendations for legislative or administrative actions
10 as may be determined to be appropriate.

11 **SEC. 207. EFFECTIVE DATE.**

12 Except as otherwise specifically provided in this title,
13 this title and the amendments made by this title shall be-
14 come effective on the date of enactment of this Act.

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