



## Legislative Bulletin.....May 21, 2002

### Contents:

**H.R. 3717**—Federal Deposit Insurance Reform Act of 2002

**H.Res. \_\_\_**—Paying tribute to the workers in New York City for their rescue, recovery, and clean-up efforts at the site of the World Trade Center

---

### **H.R. 3717 — Federal Deposit Insurance Reform Act of 2002 (Bachus)**

**Order of Business:** The bill is scheduled for consideration on Tuesday, May 21<sup>st</sup>, under a motion to suspend the rules and pass the bill.

**Summary:** H.R. 3717 makes the following changes to federal deposit insurance:

#### Major Changes of Note:

- **Increases the standard maximum deposit insurance limit from \$100,000 to \$130,000, and indexes it every 5 years for inflation beginning on April 1, 2005 (future inflation adjustments would take place on the first of the year). This new coverage level is doubled for certain retirement accounts to \$260,000;**
- **Increases the coverage amount for in-state municipal deposits to the lesser of \$2 million or “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;”**
- **Provides federally chartered credit unions with parity in general standard maximum deposit insurance coverage, coverage for retirement accounts and municipal deposits;**
- **Sets the rate for assessments for deposits related to lifeline accounts at 1/4 the rate otherwise applicable for non-lifeline deposits (See Senator Gramm’s statement for additional information: <http://banking.senate.gov/gramm/042202.htm>);**

#### Other Changes:

- **Merges the two insurance funds through which federal deposit insurance is provided, the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF), and creates a new Deposit Insurance Fund (DIF);**
- **Removes legal constraints on the authority of the Federal Deposit Insurance Corporation (FDIC) to charge risk-based premium assessments, so that all insured depository institutions pay for the value and benefit of deposit insurance fairly and equitably;**

- Authorizes the FDIC to set the ratio of reserves to estimated insured deposits in the DIF within a range of 1.15-1.40 percent, replacing the 1.25 percent 'hard target' mandated by current law;
- Returns assessments in the form of refunds, credits, and dividends to insured depository institutions for overpayments they have made and/or whenever the fund's level is considered strong and the financial and economic outlook is considered favorable. Dividends are provided to qualified insured depository institutions whenever the upper limits of the designated reserve ratio (DRR) are exceeded;
- Requires the FDIC to develop a "Deposit Insurance Fund Restoration Plan" if reserve ratios fall below or are projected to fall below designated levels;
- Directs the FDIC to study its administrative and managerial processes, including "the appropriateness of the organizational structure of the Federal Deposit Insurance Corporation" and alternative means for administering the deposit insurance system.

**Cost to Taxpayers:** CBO estimates that H.R. 3717 would increase both the costs of resolving failed financial institutions and the income from premiums paid by financial institutions. During the 2003-2012 period, the additional premiums that would be collected under the bill would more than offset the added spending. On balance, CBO estimates that H.R. 3717 would reduce net direct spending by \$700 million over the 2003-2012 period.

H.R. 3717 contains private-sector mandates as defined by Unfunded Mandates Reform Act. CBO estimates that the direct cost of those mandates would be well above the annual threshold established by UMRA for private-sector mandates (\$115 million in 2002, adjusted annually for inflation). However, CBO does not have sufficient information to provide a precise estimate of the aggregate cost because of uncertainties about how certain regulations would be implemented.

**Does the Bill Create New Federal Programs or Rules?:** The bill consolidates two deposit insurance funds into one and makes other changes to deposit insurance programs, as described above.

**Constitutional Authority:** The Committee on Financial Services, in House Report [107-467](#), cites Article 1, Section 8, Clause 1 (relating to the general welfare of the United States) and Clause 3 (relating to the power to regulate interstate commerce).

**Staff Contact:** Lisa Bos, [lisa.bos@mail.house.gov](mailto:lisa.bos@mail.house.gov), (202) 226-1630

---

**H.Res. \_\_\_\_—Paying tribute to the workers in New York City for their rescue, recovery, and clean-up efforts at the site of the World Trade Center.  
(Fossella)**

**Order of Business:** The resolution is scheduled to be considered today, May 21<sup>st</sup>, under a motion to suspend the rules and pass the bill.

**Summary:** This resolution would state that the House of Representatives pays tribute to the workers in New York City for their rescue, recovery, and clean-up efforts at the site of the World Trade Center, which was destroyed by the terrorist attack of September 11, 2001.

The resolution points out that “in the aftermath of the attacks, without showing any hesitation, public safety officers, steel workers, electricians, construction workers, and thousands of skilled workers and volunteers spent endless days and nights, many without sleep for over 36 hours, risking their own lives to assist in the search for and rescue of anyone that might have survived the devastation at the site of the World Trade Center, which has come to be known as ‘Ground Zero.’”

Further, the resolution notes that the recovery effort at “Ground Zero” has removed over 1.6 million tons of debris and collected the remains of more than 1000 victims.

**Cost to Taxpayers:** The resolution would authorize no expenditure.

**Does the Bill Create New Federal Programs or Rules?:** No.

**Staff Contact:** Paul Teller, [paul.teller@mail.house.gov](mailto:paul.teller@mail.house.gov), (202) 226-9718

---

---