

Bachus Statement Regarding the Federal Deposit Insurance System

July 18, 2008

Ranking Member Spencer Bachus (AL) today released the following statement regarding the federal deposit insurance system, increased protections for retirement savings, and the Federal Deposit Insurance Reform Act that he helped author during the 109th Congress.

Ranking Member Bachus said, "The deposit insurance reforms enacted in 2006 are serving the system and the nation well as we meet the challenges of the current economic downturn. By strengthening the integrity and stability of the deposit insurance fund, the legislation has helped promote safety and soundness in our banking system. By increasing insurance coverage for retirement accounts to \$250,000, the law has provided important protection to our nation's seniors and those saving for retirement. And by giving the FDIC greater flexibility to manage the deposit insurance fund according to economic circumstances, the reforms make it less likely that banks will be charged sharply higher premiums at a time when we need their balance sheets available to provide credit to America's consumers and small businesses.

"Depositors have a guarantee on the safety of their deposits held in our banks and credit unions, while taxpayers are insulated from having to cover any losses. The protection on deposits has provided Americans with the retirement security they need to know their savings are secured."

Beginning in 2001, as Chairman of the Financial Institutions and Consumer Credit Subcommittee, Bachus held numerous hearings to examine ways to improve the insurance system. Ranking Member Bachus first introduced legislation to modernize deposit insurance on February 12, 2002.

The House of Representatives overwhelmingly approved H.R. 1185, the Federal Deposit Insurance Reform Act in 2005, which was later approved by the Senate.

The Federal Deposit Insurance Reform Act, signed into law in 2006 by President Bush, enables a permanent system of inflation indexation to protect the value of insured accounts; increased certain retirement account coverage from \$100,000 to \$250,000; and created the Deposit Insurance Fund by merging the Bank Insurance Fund and the Savings Association Insurance Fund.

Federal deposit insurance was first established in response to the Great Depression in 1934 and guarantees that up to \$100,000 is available to depositors should their institutions fail.

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