

FDIC bank fund in the red until 2012

Even as regulators try to replenish deposit insurance fund, it will be over two years before it boasts a positive balance, warns agency chief.

By [David Ellis](#), CNNMoney.com staff writer

October 14, 2009: 3:48 PM ET

NEW YORK (CNNMoney.com) -- The government insurance fund designed to protect consumer bank deposits will likely stay in the red through 2012, Federal Deposit Insurance Corp. chief Sheila Bair said Wednesday.

Testifying before members of the Senate Banking Committee, the nation's top commercial bank regulator stressed that her agency was taking immediate steps to replenish the dwindling fund. But she said those efforts would not put the rescue fund in the black until a little more than two years from now at the earliest.

The fund has come under severe strain in recent months amid the recent surge in bank failures. Ninety-eight banks have failed so far this year, which has reduced the fund's value to \$10 billion from \$45 billion a year ago.

Last month, the agency painted an even more dire picture, estimating that the fund is currently in the red after taking into account future bank failures it anticipates will happen.

That would not be the first time the fund has had a negative balance. During the S&L crisis of the late 1980s and early 1990s, it slipped into the red.

With bank failure costs expected to reach \$100 billion over the next four years, regulators have been looking at ways to raise quick cash.

"The problem we are facing is one of timing," Bair said, according to a copy of her prepared remarks.

One proposal currently under consideration would have banks prepay their deposit insurance premiums for the next three years. Under FDIC guidelines, bankers and others have until the end of October to comment on the proposal before it becomes a rule. ■

http://money.cnn.com/2009/10/14/news/companies/fdic_deposit_fund/?postversion=2009101415