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## **FDIC Approves Final Rule Requiring Banks to Prepay Assessments Through 2012**

On November 12, 2009, the FDIC Board approved a final rule that will require institutions to prepay their estimated quarterly risk-based assessments. Specifically, under the final rule, institutions will prepay their estimated risk-based deposit insurance assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. This is referred to as the “prepayment period.”

Under the final rule, the FDIC will collect the prepaid assessments for the entire three-year period on December 30, 2009, along with each institution’s regular quarterly risk-based deposit insurance assessment for the third quarter of 2009. For the fourth quarter of 2009 and for all of 2010, the prepaid assessment rate will be based on each institution’s total base assessment rate in effect on September 30, 2009.

Also part of the final rule is a uniform three-basis point increase in assessment rates effective January 1, 2011. Accordingly, the final rule establishes a prepaid assessment rate for 2011 and 2012 that would equal each institution’s modified third quarter 2009 total base assessment rate plus 3 basis points. Each institution’s prepaid assessment base will be calculated using its third quarter 2009 assessment base, adjusted quarterly for an estimated 5 percent annual growth rate in the assessment base through the end of 2012.

Under the final rule, institutions should book the prepaid expense as a non-earning asset. Each quarter, the FDIC will bill institutions for the actual risk-based premium for that quarter; these amounts will reduce the prepaid asset. Once the asset is exhausted, institutions will resume paying and accounting for quarterly deposit insurance assessments in accordance with current practices. To the extent there is any amount of the prepaid assessment remaining after an institution makes its payment on June 30, 2013, the final rule requires the FDIC to return the remaining funds to the institution.

Under the final rule, the prepaid assessments will be mandatory for all institutions. However, the FDIC may exercise its discretion to exempt an institution from the prepayment requirement, upon a determination by the agency that the prepayment would adversely affect the safety and soundness of the institution. Additionally, the rule will permit institutions to request an exemption from payment under certain circumstances.

The FDIC has posted a prepayment calculator on its website, which can be accessed at: **[www.fdic.gov/deposit/insurance/initiative/index.html](http://www.fdic.gov/deposit/insurance/initiative/index.html)**. The FDIC has estimated that total prepaid assessments would amount to approximately \$45 billion. The final rule may be accessed through the FDIC’s website, at: **[www.fdic.gov/news/board/2009nov12no4.pdf](http://www.fdic.gov/news/board/2009nov12no4.pdf)**.

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