F.D.I.C. May Borrow Funds From Banks

By Editor Test *Wed, Sep 23, 2009*

Bankers say they'd rather loan money to the FDIC than make new contributions to the FDIC fund or see the FDIC tap a line of credit at the Treasury.

Federal regulator are considering a plan to have the nation's healthy banks lend billions of dollars to the Federal Deposit Insurance Corporation, which protects bank depositors, the *New York Times* reported Tuesday.

The move, strongly supported by bankers and their lobbyists, would enable the FDIC to continue the work of rescuing America's sickest banks. The FDIC insures $4.8 trillion in bank deposits. The wave of 94 bank failures since last January has severely depleting its funds.

Bankers and their lobbyists say they'd rather fund the FDIC with voluntary loans from banks rather than the two competing options: have the FDIC levy an emergency assessment from the banks or have the FDIC draw from its $100 billion line of credit at the Treasury Department.

A special assessment of $5 billion to $10 billion over the next six months would crimp bank profits and possibly push more banks into deeper financial trouble. Any new borrowing from the Treasury might look like a new taxpayer bailout that could trigger anti-bank sentiment.

Despite a special assessment imposed on banks a few months ago to keep the FDIC funded, its cash balance is only about $10 billion, down from about $30 billion at the start of the year. Some $32 billion has been set aside for failures that officials expect in the coming months.