Mr. MANZULLO. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the motion offered by the gentleman from Illinois (Mr. MANZULLO) that the House suspend the rules and pass the bill, H.R. 4231, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

EXTENDING AUTHORITY OF EXPORT-IMPORT BANK UNTIL JUNE 14, 2002

Mr. OXLEY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 4782) to extend the authority of the Export-Import Bank until June 14, 2002.

The Clerk read as follows:

H.R. 4782

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXTENSION OF EXPORT-IMPORT BANK.

Notwithstanding the dates specified in section 7 of the Export-Import Bank Act of 1945 (12 U.S.C. 635f) and section 1(c) of Public Law 103–428, the Export-Import Bank of the United States shall continue to exercise its functions in connection with and in furtherance of its objects and purposes through June 14, 2002.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Ohio (Mr. OXLEY) and the gentleman from New York (Mr. LAFALCE) each will control 20 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

GENERAL LEAVE

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 4782.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. OXLEY. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this legislation is a simple extension of the authority of the Export-Import Bank until June 14, 2002. Mr. Speaker, this is a rather routine extension. The conference committee is meeting literally as I speak, and we would hope to have a bill to the floor. But in case we do not, it is important that the activities of the Export-Import Bank maintain until June 14. I ask that the House would pass this.

Mr. Speaker, I reserve the balance of my time.

Mr. LAFALCE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I concur in the remarks of my friend, the gentleman from Ohio (Mr. OXLEY). The conferees are meeting as we speak, but it might be very difficult to come to conclusion and bring a conference report to the floor before there is a recess, especially since I understand we might be recessing tomorrow evening. Since the legislation we passed last time expires on May 31 of this month, I think it is prudent for us to pass this resolution now, extending it until June 14.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. OXLEY. Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

□ 1930

Mr. OXLEY. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). The question is on the motion offered by the gentleman from Ohio (Mr. OXLEY) that the House suspend the rules and pass the bill, H.R. 4782.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill was passed.

A motion to reconsider was laid on the table.

FEDERAL DEPOSIT INSURANCE REFORM ACT OF 2002

Mr. OXLEY. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 3717) to reform the Federal deposit insurance system, and for other purposes, as amended.

The Clerk read as follows:

H.R. 3717

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Federal Deposit Insurance Reform Act of 2002''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. Merging the BIF and SAIF.
Sec. 3. Increase in deposit insurance coverage.
Sec. 4. Setting assessments and repeal of special rules relating to minimum assessments and free deposit insurance.
Sec. 5. Replacement of fixed designated reserve ratio with reserve range.
Sec. 6. Requirements applicable to the risk-based assessment system.
Sec. 7. Refunds, dividends, and credits from Deposit Insurance Fund.
Sec. 8. Deposit Insurance Fund restoration plans.
Sec. 9. Regulations required.
Sec. 10. Studies of FDIC structure and expenses and certain activities and further possible changes to deposit insurance system.
Sec. 11. Technical and conforming amendments to the Federal Deposit Insurance Act relating to the merger of the BIF and SAIF.
Sec. 12. Other technical and conforming amendments relating to the merger of the BIF and SAIF.

SEC. 2. MERGING THE BIF AND SAIF.

(a) IN GENERAL.—

(1) MERGER.—The Bank Insurance Fund and the Savings Association Insurance Fund shall be merged into the Deposit Insurance Fund.

(2) DISPOSITION OF ASSETS AND LIABILITIES.—All assets and liabilities of the Bank Insurance Fund and the Savings Association Insurance Fund shall be transferred to the Deposit Insurance Fund.

(3) NO SEPARATE EXISTENCE.—The separate existence of the Bank Insurance Fund and the Savings Association Insurance Fund shall cease on the effective date of the merger thereof under this section.

(b) REPEAL OF OUTDATED MERGER PROVISION.—Section 2704 of the Deposit Insurance Funds Act of 1996 (12 U.S.C. 1821 note) is repealed.

(c) EFFECTIVE DATE.—This section shall take effect on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

SEC. 3. INCREASE IN DEPOSIT INSURANCE COVERAGE.

(a) IN GENERAL.—Section 11(a)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)) is amended—

(1) by striking subparagraph (B) and inserting the following new subparagraph:

''(B) NET AMOUNT OF INSURED DEPOSIT.—The net amount due to any depositor at an insured depository institution shall not exceed the standard maximum deposit insurance amount as determined in accordance with subparagraphs (C), (D), (E) and (F) and paragraph (3).''; and

(2) by adding at the end the following new subparagraphs:

''(E) STANDARD MAXIMUM DEPOSIT INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term 'standard maximum deposit insurance amount' means—

''(i) until the effective date of final regulations prescribed pursuant to section 9(a)(2) of the Federal Deposit Insurance Reform Act of 2002, $100,000; and

''(ii) on and after such effective date, $130,000, adjusted as provided under subparagraph (F).

''(F) INFLATION ADJUSTMENT.—

''(i) IN GENERAL.—By April 1 of 2005, and the 1st day of each subsequent 5-year period, the Board of Directors and the National Credit Union Administration Board shall jointly prescribe the amount by which the standard maximum deposit insurance amount and the standard maximum share insurance amount (as defined in section 207(k) of the Federal Credit Union Act) applicable to any depositor at an insured depository institution shall be increased by calculating the product of—

''(I) $130,000; and

''(II) the ratio of the value of the Personal Consumption Expenditures Chain-Type Index (or any successor index thereto), published by the Department of Commerce, as of December 31 of the year preceding the year in which the adjustment is calculated under this clause, to the value of such index as of the date this subparagraph takes effect.

''(ii) ROUNDING.—If the amount determined under clause (ii) for any period is not a multiple of $10,000, the amount so determined shall be rounded to the nearest $10,000.

''(iii) PUBLICATION AND REPORT TO THE CONGRESS.—Not later than April 5 of any calendar year in which an adjustment is required to be calculated under clause (i) to the standard maximum deposit insurance amount and the standard maximum share insurance amount under such clause, the Board of Directors and the National Credit Union Administration Board shall—

''(I) publish in the Federal Register the standard maximum deposit insurance

amount, the standard maximum share insurance amount, and the amount of coverage under paragraph (3)(A) and section 207(k)(3) of the Federal Credit Union Act, as so calculated; and

''(II) jointly submit a report to the Congress containing the amounts described in subclause (I).

''(iv) 6-MONTH IMPLEMENTATION PERIOD.—Unless an Act of Congress enacted before July 1 of the calendar year in which an adjustment is required to be calculated under clause (i) provides otherwise, the increase in the standard maximum deposit insurance amount and the standard maximum share insurance amount shall take effect on January 1 of the year immediately succeeding such calendar year.''.

(b) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—Section 11(a)(1)(D) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(1)(D)) is amended to read as follows:

''(D) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—

''(i) PASS-THROUGH INSURANCE.—The Corporation shall provide pass-through deposit insurance for the deposits of any employee benefit plan.

''(ii) PROHIBITION ON ACCEPTANCE OF BENEFIT PLAN DEPOSITS.—An insured depository institution that is not well capitalized or adequately capitalized may not accept employee benefit plan deposits.

''(iii) DEFINITIONS.—For purposes of this subparagraph, the following definitions shall apply:

''(I) CAPITAL STANDARDS.—The terms 'well capitalized' and 'adequately capitalized' have the same meanings as in section 38.

''(II) EMPLOYEE BENEFIT PLAN.—The term 'employee benefit plan' has the same meaning as in paragraph (8)(B)(ii), and includes any eligible deferred compensation plan described in section 457 of the Internal Revenue Code of 1986.

''(III) PASS-THROUGH DEPOSIT INSURANCE.—The term 'pass-through deposit insurance' means, with respect to an employee benefit plan, deposit insurance coverage provided on a pro rata basis to the participants in the plan, in accordance with the interest of each participant.''.

(c) DOUBLING OF DEPOSIT INSURANCE FOR CERTAIN RETIREMENT ACCOUNTS.—Section 11(a)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(3)(A)) is amended by striking ''$100,000'' and inserting ''2 times the standard maximum deposit insurance amount (as determined under paragraph (1))''.

(d) INCREASED INSURANCE COVERAGE FOR MUNICIPAL DEPOSITS.—Section 11(a)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1821(a)(2)) is amended—

(1) in subparagraph (A)—

(A) by moving the margins of clauses (i) through (v) 4 ems to the right;

(B) by striking, in the matter following clause (v), ''such depositor shall'' and all that follows through the period; and

(C) by striking the semicolon at the end of clause (v) and inserting a period;

(2) by striking ''(2)(A) Notwithstanding'' and all that follows through ''a depositor who is—'' and inserting the following:

''(2) MUNICIPAL DEPOSITORS.—

''(A) IN GENERAL.—Notwithstanding any limitation in this Act or in any other provision of law relating to the amount of deposit insurance available to any 1 depositor—

''(i) a municipal depositor shall, for the purpose of determining the amount of insured deposits under this subsection, be deemed to be a depositor separate and distinct from any other officer, employee, or agent of the United States or any public unit referred to in subparagraph (E); and

''(ii) except as provided in subparagraph (B), the deposits of a municipal depositor shall be insured in an amount equal to the standard maximum deposit insurance amount (as determined under paragraph (1)).

''(B) IN-STATE MUNICIPAL DEPOSITORS.—In the case of the deposits of an in-State municipal depositor described in clause (ii), (iii), (iv), or (v) of subparagraph (E) at an insured depository institution, such deposits shall be insured in an amount not to exceed the lesser of—

''(i) $2,000,000; or

''(ii) 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.

''(C) MUNICIPAL DEPOSIT PARITY.—No State may deny to insured depository institutions within its jurisdiction the authority to accept deposits insured under this paragraph, or prohibit the making of such deposits in such institutions by any in-State municipal depositor.

''(D) IN-STATE MUNICIPAL DEPOSITOR DEFINED.—For purposes of this paragraph, the term 'in-State municipal depositor' means a municipal depositor that is located in the same State as the office or branch of the insured depository institution at which the deposits of that depositor are held.

''(E) MUNICIPAL DEPOSITOR.—In this paragraph, the term 'municipal depositor' means a depositor that is—'';

(3) by striking ''(B) The'' and inserting the following:

''(F) AUTHORITY TO LIMIT DEPOSITS.—The''; and

(4) by striking ''depositor referred to in subparagraph (A) of this paragraph'' each place such term appears and inserting ''municipal depositor''.

(e) TECHNICAL AND CONFORMING AMENDMENT RELATING TO INSURANCE OF TRUST FUNDS.—Paragraphs (1) and (3) of section 7(i) of the Federal Deposit Insurance Act (12 U.S.C. 1817(i)) are each amended by striking ''$100,000'' and inserting ''the standard maximum deposit insurance amount (as determined under section 11(a)(1))''.

(f) OTHER TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Section 11(m)(6) of the Federal Deposit Insurance Act (12 U.S.C. 1821(m)(6)) is amended by striking ''$100,000'' and inserting ''an amount equal to the standard maximum deposit insurance amount''.

(2) Subsection (a) of section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828(a)) is amended to read as follows:

''(a) INSURANCE LOGO.—

''(1) INSURED DEPOSITORY INSTITUTIONS.—Each insured depository institution shall display at each place of business maintained by that institution a sign or signs relating to the insurance of the deposits of the institution, in accordance with regulations to be prescribed by the Corporation.

''(2) REGULATIONS.—The Corporation shall prescribe regulations to carry out this subsection, including regulations governing the substance of signs required by paragraph (1) and the manner of display or use of such signs.

''(3) PENALTIES.—For each day that an insured depository institution continues to violate this subsection or any regulation issued under this subsection, it shall be subject to a penalty of not more than $100, which the Corporation may recover for its use.''.

(3) Section 43(d) of the Federal Deposit Insurance Act (12 U.S.C. 1831t(d)) is amended by striking ''$100,000'' and inserting ''an amount equal to the standard maximum deposit insurance amount''.

(4) Section 6 of the International Banking Act of 1978 (12 U.S.C. 3104) is amended—

(A) by striking ''$100,000'' each place such term appears and inserting ''an amount equal to the standard maximum deposit insurance amount''; and

(B) by adding at the end the following new subsection:

''(e) STANDARD MAXIMUM DEPOSIT INSURANCE AMOUNT DEFINED.—For purposes of this section, the term 'standard maximum deposit insurance amount' means the amount of the maximum amount of deposit insurance as determined under section 11(a)(1) of the Federal Deposit Insurance Act.''.

(g) CONFORMING CHANGE TO CREDIT UNION SHARE INSURANCE FUND.—

(1) IN GENERAL.—Section 207(k) of the Federal Credit Union Act (12 U.S.C. 1787(k)) is amended—

(A) by striking ''(k)(1)'' and all that follows through the end of paragraph (1) and inserting the following:

''(k) INSURED AMOUNTS PAYABLE.—

''(1) NET INSURED AMOUNT.—

''(A) IN GENERAL.—Subject to the provisions of paragraph (2), the net amount of share insurance payable to any member at an insured credit union shall not exceed the total amount of the shares or deposits in the name of the member (after deducting offsets), less any part thereof which is in excess of the standard maximum share insurance amount, as determined in accordance with this paragraph and paragraphs (5) and (6), and consistently with actions taken by the Federal Deposit Insurance Corporation under section 11(a) of the Federal Deposit Insurance Act.

''(B) AGGREGATION.—Determination of the net amount of share insurance under subparagraph (A), shall be in accordance with such regulations as the Board may prescribe, and, in determining the amount payable to any member, there shall be added together all accounts in the credit union maintained by that member for that member's own benefit, either in the member's own name or in the names of others.

''(C) AUTHORITY TO DEFINE THE EXTENT OF COVERAGE.—The Board may define, with such classifications and exceptions as it may prescribe, the extent of the share insurance coverage provided for member accounts, including member accounts in the name of a minor, in trust, or in joint tenancy.'';

(B) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clauses (i) through (v), by moving the margins 4 ems to the right;

(II) in the matter following clause (v), by striking ''his account'' and all that follows through the period; and

(III) by striking the semicolon at the end of clause (v) and inserting a period;

(ii) by striking ''(2)(A) Notwithstanding'' and all that follows through ''a depositor or member who is—'' and inserting the following:

''(2) MUNICIPAL DEPOSITORS OR MEMBERS.—

''(A) IN GENERAL.—Notwithstanding any limitation in this Act or in any other provision of law relating to the amount of insurance available to any 1 depositor or member, deposits or shares of a municipal depositor or member shall be insured in an amount equal to the standard maximum share insurance amount (as determined under paragraph (5)), except as provided in subparagraph (B).

''(B) IN-STATE MUNICIPAL DEPOSITORS.—In the case of the deposits of an in-State municipal depositor described in clause (ii), (iii), (iv), or (v) of subparagraph (E) at an insured credit union, such deposits shall be insured in an amount equal to the lesser of—

''(i) $2,000,000; or

''(ii) 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.

''(C) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as authorizing an insured credit union to accept the deposits of a municipal depositor in an amount greater than such credit union is authorized to accept under any other provision of Federal or State law.

''(D) IN-STATE MUNICIPAL DEPOSITOR DEFINED.—For purposes of this paragraph, the term 'in-State municipal depositor' means a municipal depositor that is located in the same State as the office or branch of the insured credit union at which the deposits of that depositor are held.

''(E) MUNICIPAL DEPOSITOR.—In this paragraph, the term 'municipal depositor' means a depositor that is—'';

(iii) by striking ''(B) The'' and inserting the following:

''(F) AUTHORITY TO LIMIT DEPOSITS.—The''; and

(iv) by striking ''depositor or member referred to in subparagraph (A)'' and inserting ''municipal depositor or member''; and

(C) by adding at the end the following new paragraphs:

''(4) COVERAGE FOR CERTAIN EMPLOYEE BENEFIT PLAN DEPOSITS.—

''(A) PASS-THROUGH INSURANCE.—The Administration shall provide pass-through share insurance for the deposits or shares of any employee benefit plan.

''(B) PROHIBITION ON ACCEPTANCE OF DEPOSITS.—An insured credit union that is not well capitalized or adequately capitalized may not accept employee benefit plan deposits.

''(C) DEFINITIONS.—For purposes of this paragraph, the following definitions shall apply:

''(i) CAPITAL STANDARDS.—The terms 'well capitalized' and 'adequately capitalized' have the same meanings as in section 216(c).

''(ii) EMPLOYEE BENEFIT PLAN.—The term 'employee benefit plan'—

''(I) has the meaning given to such term in section 3(3) of the Employee Retirement Income Security Act of 1974;

''(II) includes any plan described in section 401(d) of the Internal Revenue Code of 1986; and

''(III) includes any eligible deferred compensation plan described in section 457 of the Internal Revenue Code of 1986.

''(iii) PASS-THROUGH SHARE INSURANCE.—The term 'pass-through share insurance' means, with respect to an employee benefit plan, insurance coverage provided on a pro rata basis to the participants in the plan, in accordance with the interest of each participant.

''(D) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as authorizing an insured credit union to accept the deposits of an employee benefit plan in an amount greater than such credit union is authorized to accept under any other provision of Federal or State law.

''(5) STANDARD MAXIMUM SHARE INSURANCE AMOUNT DEFINED.—For purposes of this Act, the term 'standard maximum share insurance amount' means—

''(A) until the effective date of final regulations prescribed pursuant to section 9(a)(2) of the Federal Deposit Insurance Reform Act of 2002, $100,000; and

''(B) on and after such effective date, $130,000, adjusted as provided under section 11(a)(1)(F) of the Federal Deposit Insurance Act.''.

(2) DOUBLING OF SHARE INSURANCE FOR CERTAIN RETIREMENT ACCOUNTS.—Section 207(k)(3) of the Federal Credit Union Act (12 U.S.C. 1787(k)(3)) is amended by striking ''$100,000'' and inserting ''2 times the standard maximum share insurance amount (as determined under paragraph (1))''.

(h) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date the final regulations required under section 9(a)(2) take effect.

SEC. 4. SETTING ASSESSMENTS AND REPEAL OF SPECIAL RULES RELATING TO MINIMUM ASSESSMENTS AND FREE DEPOSIT INSURANCE.

(a) SETTING ASSESSMENTS.—Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended—

(1) by striking subparagraphs (A) and (B) and inserting the following new subparagraphs:

''(A) IN GENERAL.—The Board of Directors shall set assessments for insured depository institutions in such amounts as the Board of Directors may determine to be necessary or appropriate, subject to subparagraph (D).

''(B) FACTORS TO BE CONSIDERED.—In setting assessments under subparagraph (A), the Board of Directors shall consider the following factors:

''(i) The estimated operating expenses of the Deposit Insurance Fund.

''(ii) The estimated case resolution expenses and income of the Deposit Insurance Fund.

''(iii) The projected effects of the payment of assessments on the capital and earnings of insured depository institutions.

''(iv) the risk factors and other factors taken into account pursuant to paragraph (1) under the risk-based assessment system, including the requirement under such paragraph to maintain a risk-based system.

''(v) Any other factors the Board of Directors may determine to be appropriate.''; and

(2) by inserting after subparagraph (C) the following new subparagraph:

''(D) BASE RATE FOR ASSESSMENTS.—

''(i) IN GENERAL.—In setting assessment rates pursuant to subparagraph (A), the Board of Directors shall establish a base rate of not more than 1 basis point (exclusive of any credit or dividend) for those insured depository institutions in the lowest-risk category under the risk-based assessment system established pursuant to paragraph (1).

''(ii) SUSPENSION.—Clause (i) shall not apply during any period in which the reserve ratio of the Deposit Insurance Fund is less than the amount which is equal to 1.15 percent of the aggregate estimated insured deposits.''.

(b) ASSESSMENT RECORDKEEPING PERIOD SHORTENED.—Paragraph (5) of section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended to read as follows:

''(5) DEPOSITORY INSTITUTION REQUIRED TO MAINTAIN ASSESSMENT-RELATED RECORDS.—Each insured depository institution shall maintain all records that the Corporation may require for verifying the correctness of any assessment on the insured depository institution under this subsection until the later of—

''(A) the end of the 3-year period beginning on the due date of the assessment; or

''(B) in the case of a dispute between the insured depository institution and the Corporation with respect to such assessment, the date of a final determination of any such dispute.''.

(c) INCREASE IN FEES FOR LATE ASSESSMENT PAYMENTS.—Subsection (h) of section 18 of the Federal Deposit Insurance Act (12 U.S.C. 1828(h)) is amended to read as follows:

''(h) PENALTY FOR FAILURE TO TIMELY PAY ASSESSMENTS.—

''(1) IN GENERAL.—Any insured depository institution which fails or refuses to pay any assessment shall be subject to a penalty in an amount not more than 1 percent of the amount of the assessment due for each day that such violation continues.

''(2) EXCEPTION IN CASE OF DISPUTE.—Paragraph (1) shall not apply if—

''(A) the failure to pay an assessment is due to a dispute between the insured depository institution and the Corporation over the amount of such assessment; and

''(B) the insured depository institution deposits security satisfactory to the Corporation for payment upon final determination of the issue.

''(3) AUTHORITY TO MODIFY OR REMIT PENALTY.—The Corporation, in the sole discretion of the Corporation, may compromise, modify or remit any penalty which the Corporation may assess or has already assessed under paragraph (1) upon a finding that good cause prevented the timely payment of an assessment.''.

(d) ASSESSMENTS FOR LIFELINE ACCOUNTS.—

(1) IN GENERAL.—Section 232 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834) is amended by striking subsection (c).

(2) CLARIFICATION OF RATE APPLICABLE TO DEPOSITS ATTRIBUTABLE TO LIFELINE ACCOUNTS.—Section 7(b)(2)(H) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)(H)) is amended by striking ''at a rate determined in accordance with such Act'' and inserting ''at ½ the assessment rate otherwise applicable for such insured depository institution''.

(3) REGULATIONS.—Section 232(a)(1) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834(a)(1)) is amended by striking ''Board of Governors of the Federal Reserve System, and the''.

(e) TECHNICAL AND CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(3)) is amended by striking the 3d sentence and inserting the following: ''Such reports of condition shall be the basis for the certified statements to be filed pursuant to subsection (c).''.

(2) Subparagraphs (B)(ii) and (C) of section 7(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)) are each amended by striking ''semiannual'' where such term appears in each such subparagraph.

(3) Section 7(b)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(2)) is amended—

(A) by striking subparagraphs (E), (F), and (G);

(B) in subparagraph (C), by striking ''semiannual''; and

(C) by redesignating subparagraph (H) (as amended by subsection (e)(2) of this section) as subparagraph (E).

(4) Section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)) is amended by striking paragraph (4) and redesignating paragraphs (5) (as amended by subsection (b) of this section), (6), and (7) as paragraphs (4), (5), and (6) respectively.

(5) Section 7(c) of the Federal Deposit Insurance Act (12 U.S.C. 1817(c)) is amended—

(A) in paragraph (1)(A), by striking ''semiannual'';

(B) in paragraph (2)(A), by striking ''semiannual''; and

(C) in paragraph (3), by striking ''semiannual period'' and inserting ''initial assessment period''.

(6) Section 7(g)(6) of the Federal Deposit Insurance Act (12 U.S.C. 1817(g)(6)) (as amended by subsection (c) of this section) is amended by striking ''(b)(5)'' and inserting ''(b)(4)''.

(7) Section 8(p) of the Federal Deposit Insurance Act (12 U.S.C. 1818(p)) is amended by striking ''semiannual''.

(8) Section 8(q) of the Federal Deposit Insurance Act (12 U.S.C. 1818(q)) is amended by striking ''semiannual period'' and inserting ''assessment period''.

(9) Section 13(c)(4)(G)(ii)(II) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)(4)(G)(ii)(II)) is amended by striking ''semiannual period'' and inserting ''assessment period''.

(10) Section 232(a) of the Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1834(a)) is amended—

(A) in the matter preceding subparagraph (A) of paragraph (2), by striking ''the Board and'';

(B) in subparagraph (J) of paragraph (2), by striking ''the Board'' and inserting ''the Corporation'';

(C) by striking subparagraph (A) of paragraph (3) and inserting the following new subparagraph:

''(A) CORPORATION.—The term 'Corporation' means the Federal Deposit Insurance Corporation.''; and

(D) in subparagraph (C) of paragraph (3), by striking ''Board'' and inserting ''Corporation''.

(f) EFFECTIVE DATE.—Except as provided in subsection (c), this section and the amendments made by this section shall take effect on the date that the final regulations required under section 9(a)(5) take effect.

SEC. 5. REPLACEMENT OF FIXED DESIGNATED RESERVE RATIO WITH RESERVE RANGE.

(a) IN GENERAL.—Section 7(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(3)) is amended to read as follows:

''(3) DESIGNATED RESERVE RATIO.—

''(A) ESTABLISHMENT.—

''(i) IN GENERAL.—The Board of Directors shall designate, by regulation after notice and opportunity for comment, the reserve ratio applicable with respect to the Deposit Insurance Fund.

''(ii) NOT LESS THAN ANNUAL REDETERMINATION.—A determination under clause (i) shall be made by the Board of Directors at least before the beginning of each calendar year, for such calendar year, and at such other times as the Board of Directors may determine to be appropriate.

''(B) RANGE.—The reserve ratio designated by the Board of Directors for any year—

''(i) may not exceed 1.4 percent of estimated insured deposits; and

''(ii) may not be less than 1.15 percent of estimated insured deposits.

''(C) FACTORS.—In designating a reserve ratio for any year, the Board of Directors shall—

''(i) take into account the risk of losses to the Deposit Insurance Fund in such year and future years, including historic experience and potential and estimated losses from insured depository institutions;

''(ii) take into account economic conditions generally affecting insured depository institutions so as to allow the designated reserve ratio to increase during more favorable economic conditions and to decrease during less favorable economic conditions, notwithstanding the increased risks of loss that may exist during such less favorable conditions, as determined to be appropriate by the Board of Directors;

''(iii) seek to prevent sharp swings in the assessment rates for insured depository institutions; and

''(iv) take into account such other factors as the Board of Directors may determine to be appropriate, consistent with the requirements of this subparagraph.

''(D) PUBLICATION OF PROPOSED CHANGE IN RATIO.—In soliciting comment on any proposed change in the designated reserve ratio in accordance with subparagraph (A), the Board of Directors shall include in the published proposal a thorough analysis of the data and projections on which the proposal is based.''.

(b) TECHNICAL AND CONFORMING AMENDMENT.—Section 3(y) of the Federal Deposit Insurance Act (12 U.S.C. 1813(y)) is amended—

(1) by striking ''(y) The term'' and inserting ''(y) DEFINITIONS RELATING TO DEPOSIT INSURANCE FUND.—

''(1) DEPOSIT INSURANCE FUND.—The term''; and

(2) by inserting after paragraph (1) (as so designated by paragraph (1) of this subsection) the following new paragraph:

''(2) DESIGNATED RESERVE RATIO.—The term 'designated reserve ratio' means the reserve ratio designated by the Board of Directors in accordance with section 7(b)(3).''.

(c) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the date that the final regulations required under section 9(a)(1) take effect.

SEC. 6. REQUIREMENTS APPLICABLE TO THE RISK-BASED ASSESSMENT SYSTEM.

Section 7(b)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)(1)) is amended by adding at the end the following new subparagraphs:

''(E) INFORMATION CONCERNING RISK OF LOSS AND ECONOMIC CONDITIONS.—

''(i) SOURCES OF INFORMATION.—For purposes of determining risk of losses at insured depository institutions and economic conditions generally affecting depository institutions, the Corporation shall collect information, as appropriate, from all sources the Board of Directors considers appropriate, such as reports of condition, inspection reports, and other information from all Federal banking agencies, any information available from State bank supervisors, State insurance and securities regulators, the Securities and Exchange Commission (including information described in section 35), the Secretary of the Treasury, the Commodity Futures Trading Commission, the Farm Credit Administration, the Federal Trade Commission, any Federal reserve bank or Federal home loan bank, and other regulators of financial institutions, and any information available from credit rating entities, and other private economic or business analysts.

''(ii) CONSULTATION WITH FEDERAL BANKING AGENCIES.—

''(I) IN GENERAL.—Except as provided in subclause (II), in assessing the risk of loss to the Deposit Insurance Fund with respect to any insured depository institution, the Corporation shall consult with the appropriate Federal banking agency of such institution.

''(II) TREATMENT ON AGGREGATE BASIS.—In the case of insured depository institutions that are well capitalized (as defined in section 38) and, in the most recent examination, were found to be well managed, the consultation under subclause (I) concerning the assessment of the risk of loss posed by such institutions may be made on an aggregate basis.

''(iii) RULE OF CONSTRUCTION.—No provision of this paragraph shall be construed as providing any new authority for the Corporation to require submission of information by insured depository institutions to the Corporation.

''(F) MODIFICATIONS TO THE RISK-BASED ASSESSMENT SYSTEM ALLOWED ONLY AFTER NOTICE AND COMMENT.—In revising or modifying the risk-based assessment system at any time after the date of the enactment of the Federal Deposit Insurance Reform Act of 2002, the Board of Directors may implement such revisions or modification in final form only after notice and opportunity for comment.''.

SEC. 7. REFUNDS, DIVIDENDS, AND CREDITS FROM DEPOSIT INSURANCE FUND.

(a) IN GENERAL.—Subsection (e) of section 7 of the Federal Deposit Insurance Act (12 U.S.C. 1817(e)) is amended to read as follows:

''(e) REFUNDS, DIVIDENDS, AND CREDITS.—

''(1) REFUNDS OF OVERPAYMENTS.—In the case of any payment of an assessment by an insured depository institution in excess of the amount due to the Corporation, the Corporation may—

''(A) refund the amount of the excess payment to the insured depository institution; or

''(B) credit such excess amount toward the payment of subsequent assessments until such credit is exhausted.

''(2) DIVIDENDS FROM EXCESS AMOUNTS IN DEPOSIT INSURANCE FUND.—

''(A) RESERVE RATIO EQUAL TO OR IN EXCESS OF 1.4 PERCENT OF ESTIMATED INSURED DEPOSITS.—Whenever the reserve ratio of the Deposit Insurance Fund equals or exceeds 1.4 percent of estimated insured deposits, the Corporation shall declare the amount in the Fund in excess of the amount required to maintain the reserve ratio at the designated reserve ratio in effect at such time, as dividends to be paid to insured depository institutions.

''(B) RESERVE RATIO EQUAL TO OR IN EXCESS OF 1.35 PERCENT OF ESTIMATED INSURED DEPOSITS AND LESS THAN 1.4 PERCENT.—Whenever the reserve ratio of the Deposit Insurance Fund equals or exceeds 1.35 percent of estimated insured deposits and is less than 1.4 percent of such deposits, the Corporation shall declare the amount in the Fund that is equal to 50 percent of the amount in excess of the amount required to maintain the reserve ratio at 1.35 percent of the estimated insured deposits as dividends to be paid to insured depository institutions.

''(C) BASIS FOR DISTRIBUTION OF DIVIDENDS.—

''(i) IN GENERAL.—Solely for the purposes of dividend distribution under this paragraph and credit distribution under paragraph (3)(B), the Corporation shall determine each insured depository institution's relative contribution to the Deposit Insurance Fund (or any predecessor deposit insurance fund) for calculating such institution's share of any dividend or credit declared under this paragraph or paragraph (3)(B), taking into account the factors described in clause (ii).

''(ii) FACTORS FOR DISTRIBUTION.—In implementing this paragraph and paragraph (3)(B) in accordance with regulations, the Corporation shall take into account the following factors:

''(I) The ratio of the assessment base of an insured depository institution (including any predecessor) on December 31, 1996, to the assessment base of all eligible insured depository institutions on that date.

''(II) The total amount of assessments paid on or after January 1, 1997, by an insured depository institution (including any predecessor) to the Deposit Insurance Fund (and any predecessor deposit insurance fund).

''(III) That portion of assessments paid by an insured depository institution (including any predecessor) that reflects higher levels of risk assumed by such institution.

''(IV) Such other factors as the Corporation may determine to be appropriate.

''(D) NOTICE AND OPPORTUNITY FOR COMMENT.—The calculation, declaration, and payment of dividends under this paragraph shall be made at such times, in such manner, and on such conditions as the Corporation shall prescribe by regulation, after notice and opportunity for comment.

''(3) CREDIT POOL.—

''(A) ONE-TIME CREDIT BASED ON TOTAL ASSESSMENT BASE AT YEAR-END 1996.—

''(i) IN GENERAL.—Before the end of the 270-day period beginning on the date of the enactment of the Federal Deposit Insurance Reform Act of 2002, the Board of Directors shall, by regulation, provide for a credit to each eligible insured depository institution, based on the assessment base of the institution (including any predecessor institution) on December 31, 1996, as compared to the combined aggregate assessment base of all eligible insured depository institutions, taking into account such factors as the Board of Directors may determine to be appropriate.

''(ii) CREDIT LIMIT.—The aggregate amount of credits available under clause (i) to all eligible insured depository institutions shall equal the amount that the Corporation could collect if the Corporation imposed an assessment of 12 basis points on the combined assessment base of the Bank Insurance Fund and the Savings Association Insurance Fund as of December 31, 2001.

''(iii) ELIGIBLE INSURED DEPOSITORY INSTITUTION DEFINED.—For purposes of this paragraph, the term 'eligible insured depository institution' means any insured depository institution that—

''(I) was in existence on December 31, 1996, and paid a deposit insurance assessment prior to that date; or

''(II) is a successor to any insured depository institution described in subclause (II).

''(iv) APPLICATION OF CREDITS.—

''(I) IN GENERAL.—The amount of a credit to any eligible insured depository institution under this paragraph may be applied by the Corporation to those portions of the assessments imposed on such institution under subsection (b) that become due for assessment periods beginning after the effective date of regulations prescribed under clause (i).

''(II) REGULATIONS.—The regulations prescribed under clause (i) shall establish the qualifications and procedures governing the application of assessment credits pursuant to subclause (I).

''(v) CRITERIA FOR DETERMINATION.—In determining whether to provide assessment credits under this paragraph and the amounts of any such credits, the Board of Directors shall take into account the factors for designating the reserve ratio under subsection (b)(3) and the factors for setting assessments under subsection (b)(2)(B).

''(vi) LIMITATION ON AMOUNT OF CREDIT FOR CERTAIN DEPOSITORY INSTITUTIONS.—In the case of an insured depository institution that exhibits financial, operational, or compliance weaknesses ranging from moderately severe to unsatisfactory, or is not adequately capitalized (as defined in section 38) at the beginning of an assessment period, the amount of any credit allowed under this paragraph against the assessment on that depository institution for such period may not exceed the amount calculated by applying to that depository institution the average assessment rate on all insured depository institutions for such assessment period.

''(vii) PREDECESSOR DEFINED.—For purposes of this paragraph, the term 'predecessor', when used with respect to any insured depository institution, includes any other insured depository institution acquired by or merged with such insured depository institution.

''(B) ON-GOING CREDIT POOL.—

''(i) IN GENERAL.—In addition to the credit provided pursuant to subparagraph (A) and subject to the limitation contained in clause (vi) of such subparagraph, the Corporation shall, by regulation, establish an on-going system of credits to be applied against future assessments under subsection (b)(1) on the same basis as the dividends provided under paragraph (2)(C).

''(ii) LIMITATION ON CREDITS UNDER CERTAIN CIRCUMSTANCES.—No credits may be allowed by the Corporation under this subparagraph during any period in which—

''(I) the reserve ratio of the Deposit Insurance Fund is less than the designated reserve ratio of such Fund; or

''(II) the designated reserve ratio of the Fund is less than 1.25 percent of the amount of estimated insured deposits.

''(4) ADMINISTRATIVE REVIEW.—

''(A) IN GENERAL.—The regulations prescribed under paragraph (2)(D) and subparagraphs (A) and (B) of paragraph (3) shall include provisions allowing an insured depository institution a reasonable opportunity to challenge administratively the amount of the credit or dividend determined under paragraph (2) or (3) for such institution.

''(B) ADMINISTRATIVE REVIEW.—Any review under subparagraph (A) of any determination of the Corporation under paragraph (2) or (3) shall be final and not subject to judicial review.''.

(b) DEFINITION OF RESERVE RATIO.—Section 3(y) of the Federal Deposit Insurance Act (12 U.S.C. 1813(y)) (as amended by section 5(b) of this Act) is amended by adding at the end the following new paragraph:

''(3) RESERVE RATIO.—The term 'reserve ratio', when used with regard to the Deposit Insurance Fund other than in connection with a reference to the designated reserve ratio, means the ratio of the net worth of the Deposit Insurance Fund to the value of the aggregate estimated insured deposits.''.

SEC. 8. DEPOSIT INSURANCE FUND RESTORATION PLANS.

Section 7(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1917(b)(3)) (as amended by section 5(a) of this Act) is amended by adding at the end the following new subparagraph:

''(E) DIF RESTORATION PLANS.—

''(i) IN GENERAL.—Whenever—

''(I) the Corporation projects that the reserve ratio of the Deposit Insurance Fund will fall below the designated reserve ratio within 6 months of such determination; or

''(II) the reserve ratio of the Deposit Insurance Fund actually falls below the designated reserve ratio without any determination under subclause (I) having been made,

the Corporation shall establish and implement a Deposit Insurance Fund restoration plan within 30 days that meets the requirements of clause (ii) or (iii), as the case may be, and such other conditions as the Corporation determines to be appropriate.

''(ii) REQUIREMENTS OF PLAN IF RESERVE RATIO DOES NOT FALL BELOW 1.0 PERCENT.—If the reserve ratio of the Deposit Insurance Fund is not projected to or has not fallen below an amount equal to 1.0 percent of the aggregate estimated insured deposits, a Deposit Insurance Fund restoration plan meets the requirements of this clause if the plan provides that the reserve ratio of the Fund will meet or exceed the designated reserve ratio that was in effect before the occurrence of the event described in subclause (I) or (II) of clause (i) before the end of the 3-year period beginning upon implementation of the plan.

''(iii) REQUIREMENTS OF PLAN IF RESERVE RATIO FALLS BELOW 1.0 PERCENT.—If the reserve ratio of the Deposit Insurance Fund has fallen below an amount equal to 1.0 percent of the aggregate estimated insured deposits, a Deposit Insurance Fund restoration plan meets the requirements of this clause if the plan provides that the reserve ratio of the Fund—

''(I) will meet or exceed an amount equal to 1.0 percent of the aggregate estimated insured deposits before the end of the 2-year period beginning upon implementation of the plan; and

''(II) will meet or exceed the designated reserve ratio that was in effect before the occurrence of the event described in subclause (I) or (II) of clause (i) before the end of the 3-year period beginning on the date the reserve ratio first meets or exceeds an amount equal to 1.0 percent of the aggregate estimated insured deposits after the implementation of the plan.

''(iv) TRANSPARENCY.—Not more than 90 days after the Corporation establishes and implements a restoration plan under clause (i), the Corporation shall publish in the Federal Register a detailed analysis of the factors considered and the basis for the actions taken with regard to the plan.''.

SEC. 9. REGULATIONS REQUIRED.

(a) IN GENERAL.—Not later than 270 days after the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation shall prescribe final regulations, after notice and opportunity for comment—

(1) designating the reserve ratio for the Deposit Insurance Fund in accordance with section 7(b)(3) of the Federal Deposit Insurance Act (as amended by section 5 of this Act);

(2) implementing increases in deposit insurance coverage in accordance with the amendments made by section 3 of this Act;

(3) implementing the dividend requirement under section 7(e)(2) of the Federal Deposit Insurance Act (as amended by section 7 of this Act).

(4) implementing the 1-time assessment credit to certain insured depository institutions in accordance with section 7(e)(3) of the Federal Deposit Insurance Act, as amended by section 7 of this Act, including the qualifications and procedures under which the Corporation would apply assessment credits; and

(5) providing for assessments under section 7(b) of the Federal Deposit Insurance Act, as amended by this Act.

(b) RULE OF CONSTRUCTION.—No provision of this Act or any amendment made by this Act shall be construed as affecting the authority of the Corporation to set or collect deposit insurance assessments before the effective date of the final regulation prescribed under subsection (a).

SEC. 10. STUDIES OF FDIC STRUCTURE AND EXPENSES AND CERTAIN ACTIVITIES AND FURTHER POSSIBLE CHANGES TO DEPOSIT INSURANCE SYSTEM.

(a) STUDY BY COMPTROLLER GENERAL.—

(1) STUDY REQUIRED.—The Comptroller General shall conduct a study of the following issues:

(A) The efficiency and effectiveness of the administration of the prompt corrective action program under section 38 of the Federal Deposit Insurance Act by the Federal banking agencies (as defined in section 3 of such Act), including the degree of effectiveness of such agencies in identifying troubled depository institutions and taking effective action with respect to such institutions, and the degree of accuracy of the risk assessments made by the Corporation.

(B) The appropriateness of the organizational structure of the Federal Deposit Insurance Corporation for the mission of the Corporation taking into account—

(i) the current size and complexity of the business of insured depository institutions (as such term is defined in section 3 of the Federal Deposit Insurance Act);

(ii) the extent to which the organizational structure contributes to or reduces operational inefficiencies that increase operational costs; and

(iii) the effectiveness of internal controls.

(2) REPORT TO THE CONGRESS.—The Comptroller General shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of

this Act containing the findings and conclusions of the Comptroller General with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Comptroller General may determine to be appropriate.

(b) INTERNAL STUDY BY THE FDIC.—

(1) STUDY REQUIRED.—Concurrently with the study required to be conducted by the Comptroller General under subsection (a), the Federal Deposit Insurance Corporation shall conduct an internal study of the same conditions and factors included in the study under subsection (a).

(2) REPORT TO THE CONGRESS.—The Federal Deposit Insurance Corporation shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of this Act containing the findings and conclusions of the Corporation with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Board of Directors of the Corporation may determine to be appropriate.

(c) STUDY OF FURTHER POSSIBLE CHANGES TO DEPOSIT INSURANCE SYSTEM.—

(1) STUDY REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation and the National Credit Union Administration Board shall each conduct a study of the following:

(A) The feasibility of establishing a voluntary deposit insurance system for deposits in excess of the maximum amount of deposit insurance for any depositor and the potential benefits and the potential adverse consequences that may result from the establishment of any such system.

(B) The feasibility of privatizing all deposit insurance at insured depository institutions and insured credit unions.

(2) REPORT.—Before the end of the 1-year period beginning on the date of the enactment of this Act, the Board of Directors of the Federal Deposit Insurance Corporation and the National Credit Union Administration Board shall each submit a report to the Congress on the study required under paragraph (1) containing the findings and conclusions of the reporting agency together with such recommendations for legislative or administrative changes as the agency may determine to be appropriate.

(d) STUDY REGARDING APPROPRIATE DEPOSIT BASE IN DESIGNATING RESERVE RATIO.—

(1) STUDY REQUIRED.—The Federal Deposit Insurance Corporation shall conduct a study of the feasibility of using actual domestic deposits rather than estimated insured deposits in calculating the reserve ratio of the Deposit Insurance Fund and designating a reserve ratio for such Fund.

(2) REPORT.—The Federal Deposit Insurance Corporation shall submit a report to the Congress before the end of the 1-year period beginning on the date of the enactment of this Act containing the findings and conclusions of the Corporation with respect to the study required under paragraph (1) together with such recommendations for legislative or administrative action as the Board of Directors of the Corporation may determine to be appropriate.

(e) STUDY OF RESERVE METHODOLOGY AND ACCOUNTING FOR LOSS.—

(1) STUDY REQUIRED.—The Federal Deposit Insurance Corporation, in consultation with the Comptroller General, shall conduct a study of the reserve methodology and loss accounting used by the Corporation during the period beginning on January 1, 1992, and ending December 31, 2002, with respect to insured depository institutions in a troubled condition (as defined in the regulations prescribed pursuant to section 32(f) of the Federal Deposit Insurance Act).

(2) FACTORS TO BE INCLUDED.—In conducting the study pursuant to paragraph (1), the Federal Deposit Insurance Corporation shall—

(A) consider the overall effectiveness and accuracy of the methodology used by the Corporation for establishing and maintaining reserves and estimating and accounting for losses at insured depository institutions, during the period described in such paragraph;

(B) consider the appropriateness and reliability of information and criteria used by the Corporation in determining—

(i) whether an insured depository institution was in a troubled condition; and

(ii) the amount of any loss anticipated at such institution;

(C) analyze the actual historical loss experience over the period described in paragraph (1) and the causes of the exceptionally high rate of losses experienced by the Corporation in the final 3 years of that period; and

(D) rate the Corporation's efforts of the Corporation to reduce losses in such 3-year period to minimally acceptable levels and to historical levels.

(3) REPORT REQUIRED.—The Board of Directors of the Federal Deposit Insurance Corporation shall submit a report to the Congress before June 30, 2003, containing the findings and conclusions of the Corporation, in consultation with the Comptroller General, with respect to the study required under paragraph (1), together with such recommendations for legislative or administrative action as the Board of Directors may determine to be appropriate.

SEC. 11. TECHNICAL AND CONFORMING AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT RELATING TO THE MERGER OF THE BIF AND SAIF.

(a) IN GENERAL.—The Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) is amended—

(1) in section 3 (12 U.S.C. 1813)—

(A) by striking subparagraph (B) of subsection (a)(1) and inserting the following new subparagraph:

''(B) includes any former savings association.''; and

(B) by striking paragraph (1) of subsection (y) (as so designated by section 5(b) of this Act) and inserting the following new paragraph:

''(1) DEPOSIT INSURANCE FUND.—The term 'Deposit Insurance Fund' means the Deposit Insurance Fund established under section 11(a)(4).'';

(2) in section 5(b)(5) (12 U.S.C. 1815(b)(5)), by striking ''the Bank Insurance Fund or the Savings Association Insurance Fund,'' and inserting ''the Deposit Insurance Fund,'';

(3) in section 5(c)(4), by striking ''deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(4) in section 5(d) (12 U.S.C. 1815(d)), by striking paragraphs (2) and (3);

(5) in section 5(d)(1) (12 U.S.C. 1815(d)(1))—

(A) in subparagraph (A), by striking ''reserve ratios in the Bank Insurance Fund and the Savings Association Insurance Fund as required by section 7'' and inserting ''the reserve ratio of the Deposit Insurance Fund'';

(B) by striking subparagraph (B) and inserting the following:

''(2) FEE CREDITED TO THE DEPOSIT INSURANCE FUND.—The fee paid by the depository institution under paragraph (1) shall be credited to the Deposit Insurance Fund.'';

(C) by striking ''(1) UNINSURED INSTITUTIONS.—''; and

(D) by redesignating subparagraphs (A) and (C) as paragraphs (1) and (3), respectively, and moving the left margins 2 ems to the left;

(6) in section 5(e) (12 U.S.C. 1815(e))—

(A) in paragraph (5)(A), by striking ''Bank Insurance Fund or the Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(B) by striking paragraph (6); and

(C) by redesignating paragraphs (7), (8), and (9) as paragraphs (6), (7), and (8), respectively;

(7) in section 6(5) (12 U.S.C. 1816(5)), by striking ''Bank Insurance Fund or the Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(8) in section 7(b) (12 U.S.C. 1817(b))—

(A) in paragraph (1)(C), by striking ''deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) in paragraph (1)(D), by striking ''each deposit insurance fund'' and inserting ''the Deposit Insurance Fund''; and

(C) in paragraph (5) (as so redesignated by section 4(e)(4) of this Act)—

(i) by striking ''any such assessment'' and inserting ''any such assessment is necessary'';

(ii) by striking subparagraph (B);

(iii) in subparagraph (A)—

(I) by striking ''(A) is necessary—'';

(II) by striking ''Bank Insurance Fund members'' and inserting ''insured depository institutions''; and

(III) by redesignating clauses (i), (ii), and (iii) as subparagraphs (A), (B), and (C), respectively, and moving the margins 2 ems to the left; and

(iv) in subparagraph (C) (as so redesignated)—

(I) by inserting ''that'' before ''the Corporation''; and

(II) by striking ''; and'' and inserting a period;

(9) in section 7(j)(7)(F) (12 U.S.C. 1817(j)(7)(F)), by striking ''Bank Insurance Fund or the Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(10) in section 8(t)(2)(C) (12 U.S.C. 1818(t)(2)(C)), by striking ''deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(11) in section 11 (12 U.S.C. 1821)—

(A) by striking ''deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) by striking paragraph (4) of subsection (a) and inserting the following new paragraph:

''(4) DEPOSIT INSURANCE FUND.—

''(A) ESTABLISHMENT.—There is established the Deposit Insurance Fund, which the Corporation shall—

''(i) maintain and administer;

''(ii) use to carry out its insurance purposes, in the manner provided by this subsection; and

''(iii) invest in accordance with section 13(a).

''(B) USES.—The Deposit Insurance Fund shall be available to the Corporation for use with respect to insured depository institutions the deposits of which are insured by the Deposit Insurance Fund.

''(C) LIMITATION ON USE.—Notwithstanding any provision of law other than section 13(c)(4)(G), the Deposit Insurance Fund shall not be used in any manner to benefit any shareholder or affiliate (other than an insured depository institution that receives assistance in accordance with the provisions of this Act) of—

''(i) any insured depository institution for which the Corporation has been appointed conservator or receiver, in connection with any type of resolution by the Corporation;

''(ii) any other insured depository institution in default or in danger of default, in connection with any type of resolution by the Corporation; or

''(iii) any insured depository institution, in connection with the provision of assistance under this section or section 13 with respect to such institution, except that this clause shall not prohibit any assistance to any insured depository institution that is not in default, or that is not in danger of default, that is acquiring (as defined in section 13(f)(8)(B)) another insured depository institution.

''(D) DEPOSITS.—All amounts assessed against insured depository institutions by the Corporation shall be deposited into the Deposit Insurance Fund.'';

(C) by striking paragraphs (5), (6), and (7) of subsection (a); and

(D) by redesignating paragraph (8) of subsection (a) as paragraph (5);

(12) in section 11(f)(1) (12 U.S.C. 1821(f)(1)), by striking '', except that—'' and all that follows through the end of the paragraph and inserting a period;

(13) in section 11(i)(3) (12 U.S.C. 1821(i)(3))—

(A) by striking subparagraph (B);

(B) by redesignating subparagraph (C) as subparagraph (B); and

(C) in subparagraph (B) (as so redesignated), by striking ''subparagraphs (A) and (B)'' and inserting ''subparagraph (A)'';

(14) in section 11(p)(2)(B) (12 U.S.C. 1821(p)(2)(B)), by striking ''institution, any'' and inserting ''institution, the'';

(15) in section 11A(a) (12 U.S.C. 1821a(a))—

(A) in paragraph (2), by striking ''LIABILITIES.—'' and all that follows through ''Except'' and inserting ''LIABILITIES.—Except'';

(B) by striking paragraph (2)(B); and

(C) in paragraph (3), by striking ''the Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''the Deposit Insurance Fund'';

(16) in section 11A(b) (12 U.S.C. 1821a(b)), by striking paragraph (4);

(17) in section 11A(f) (12 U.S.C. 1821a(f)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(18) in section 12(f)(4)(E)(iv) (12 U.S.C. 1822(f)(4)(E)(iv)), by striking ''Federal deposit insurance funds'' and inserting ''the Deposit Insurance Fund (or any predecessor deposit insurance fund)'';

(19) in section 13 (12 U.S.C. 1823)—

(A) by striking ''deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) in subsection (a)(1), by striking ''Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''Deposit Insurance Fund'';

(C) in subsection (c)(4)(E)—

(i) in the subparagraph heading, by striking ''FUNDS'' and inserting ''FUND''; and

(ii) in clause (i), by striking ''any insurance fund'' and inserting ''the Deposit Insurance Fund'';

(D) in subsection (c)(4)(G)(ii)—

(i) by striking ''appropriate insurance fund'' and inserting ''Deposit Insurance Fund'';

(ii) by striking ''the members of the insurance fund (of which such institution is a member)'' and inserting ''insured depository institutions'';

(iii) by striking ''each member's'' and inserting ''each insured depository institution's''; and

(iv) by striking ''the member's'' each place that term appears and inserting ''the institution's'';

(E) in subsection (c), by striking paragraph (11);

(F) in subsection (h), by striking ''Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(G) in subsection (k)(4)(B)(i), by striking ''Savings Association Insurance Fund member'' and inserting ''savings association''; and

(H) in subsection (k)(5)(A), by striking ''Savings Association Insurance Fund members'' and inserting ''savings associations'';

(20) in section 14(a) (12 U.S.C. 1824(a)), in the 5th sentence—

(A) by striking ''Bank Insurance Fund or the Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(B) by striking ''each such fund'' and inserting ''the Deposit Insurance Fund'';

(21) in section 14(b) (12 U.S.C. 1824(b)), by striking ''Bank Insurance Fund or Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(22) in section 14(c) (12 U.S.C. 1824(c)), by striking paragraph (3);

(23) in section 14(d) (12 U.S.C. 1824(d))—

(A) by striking ''Bank Insurance Fund member'' each place that term appears and inserting ''insured depository institution'';

(B) by striking ''Bank Insurance Fund members'' each place that term appears and inserting ''insured depository institutions'';

(C) by striking ''Bank Insurance Fund'' each place that term appears (other than in connection with a reference to a term amended by subparagraph (A) or (B) of this paragraph) and inserting ''Deposit Insurance Fund'';

(D) by striking the subsection heading and inserting the following:

''(d) BORROWING FOR THE DEPOSIT INSURANCE FUND FROM INSURED DEPOSITORY INSTITUTIONS.—'';

(E) in paragraph (3), in the paragraph heading, by striking ''BIF'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(F) in paragraph (5), in the paragraph heading, by striking ''BIF MEMBERS'' and inserting ''INSURED DEPOSITORY INSTITUTIONS'';

(24) in section 14 (12 U.S.C. 1824), by adding at the end the following new subsection:

''(e) BORROWING FOR THE DEPOSIT INSURANCE FUND FROM FEDERAL HOME LOAN BANKS.—

''(1) IN GENERAL.—The Corporation may borrow from the Federal home loan banks, with the concurrence of the Federal Housing Finance Board, such funds as the Corporation considers necessary for the use of the Deposit Insurance Fund.

''(2) TERMS AND CONDITIONS.—Any loan from any Federal home loan bank under paragraph (1) to the Deposit Insurance Fund shall—

''(A) bear a rate of interest of not less than the current marginal cost of funds to that bank, taking into account the maturities involved;

''(B) be adequately secured, as determined by the Federal Housing Finance Board;

''(C) be a direct liability of the Deposit Insurance Fund; and

''(D) be subject to the limitations of section 15(c).'';

(25) in section 15(c)(5) (12 U.S.C. 1825(c)(5))—

(A) by striking ''the Bank Insurance Fund or Savings Association Insurance Fund, respectively'' each place that term appears and inserting ''the Deposit Insurance Fund''; and

(B) in subparagraph (B), by striking ''the Bank Insurance Fund or the Savings Association Insurance Fund, respectively'' and inserting ''the Deposit Insurance Fund'';

(26) in section 17(a) (12 U.S.C. 1827(a))—

(A) in the subsection heading, by striking ''BIF, SAIF,'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(B) in paragraph (1)—

(i) by striking ''the Bank Insurance Fund, the Savings Association Insurance Fund,'' each place that term appears and inserting ''the Deposit Insurance Fund''; and

(ii) in subparagraph (D), by striking ''each insurance fund'' and inserting ''the Deposit Insurance Fund'';

(27) in section 17(d) (12 U.S.C. 1827(d)), by striking '', the Bank Insurance Fund, the Savings Association Insurance Fund,'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(28) in section 18(m)(3) (12 U.S.C. 1828(m)(3))—

(A) by striking ''Savings Association Insurance Fund'' in the 1st sentence of subparagraph (A) and inserting ''Deposit Insurance Fund'';

(B) by striking ''Savings Association Insurance Fund member'' in the last sentence of subparagraph (A) and inserting ''savings association''; and

(C) by striking ''Savings Association Insurance Fund or the Bank Insurance Fund'' in subparagraph (C) and inserting ''Deposit Insurance Fund'';

(29) in section 18(o) (12 U.S.C. 1828(o)), by striking ''deposit insurance funds'' and ''deposit insurance fund'' each place those terms appear and inserting ''Deposit Insurance Fund'';

(30) in section 18(p) (12 U.S.C. 1828(p)), by striking ''deposit insurance funds'' and inserting ''Deposit Insurance Fund'';

(31) in section 24 (12 U.S.C. 1831a)—

(A) in subsections (a)(1) and (d)(1)(A), by striking ''appropriate deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(B) in subsection (e)(2)(A), by striking ''risk to'' and all that follows through the period and inserting ''risk to the Deposit Insurance Fund.''; and

(C) in subsections (e)(2)(B)(ii) and (f)(6)(B), by striking ''the insurance fund of which such bank is a member'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(32) in section 28 (12 U.S.C. 1831e), by striking ''affected deposit insurance fund'' each place that term appears and inserting ''Deposit Insurance Fund'';

(33) by striking section 31 (12 U.S.C. 1831h);

(34) in section 36(i)(3) (12 U.S.C. 1831m(i)(3)), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(35) in section 37(a)(1)(C) (12 U.S.C. 1831n(a)(1)(C)), by striking ''insurance funds'' and inserting ''Deposit Insurance Fund'';

(36) in section 38 (12 U.S.C. 1831o), by striking ''the deposit insurance fund'' each place that term appears and inserting ''the Deposit Insurance Fund'';

(37) in section 38(a) (12 U.S.C. 1831o(a)), in the subsection heading, by striking ''FUNDS'' and inserting ''FUND'';

(38) in section 38(k) (12 U.S.C. 1831o(k))—

(A) in paragraph (1), by striking ''a deposit insurance fund'' and inserting ''the Deposit Insurance Fund'';

(B) in paragraph (2), by striking ''A deposit insurance fund'' and inserting ''The Deposit Insurance Fund''; and

(C) in paragraphs (2)(A) and (3)(B), by striking ''the deposit insurance fund's outlays'' each place that term appears and inserting ''the outlays of the Deposit Insurance Fund''; and

(39) in section 38(o) (12 U.S.C. 1831o(o))—

(A) by striking ''ASSOCIATIONS.—'' and all that follows through ''Subsections (e)(2)'' and inserting ''ASSOCIATIONS.—Subsections (e)(2)'';

(B) by redesignating subparagraphs (A), (B), and (C) as paragraphs (1), (2), and (3), respectively, and moving the margins 2 ems to the left; and

(C) in paragraph (1) (as so redesignated), by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively, and moving the margins 2 ems to the left.

(b) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the first day of the first calendar

quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

SEC. 12. OTHER TECHNICAL AND CONFORMING AMENDMENTS RELATING TO THE MERGER OF THE BIF AND SAIF.

(a) SECTION 5136 OF THE REVISED STATUTES.—The paragraph designated the ''Eleventh'' of section 5136 of the Revised Statutes of the United States (12 U.S.C. 24) is amended in the 5th sentence, by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(b) INVESTMENTS PROMOTING PUBLIC WELFARE; LIMITATIONS ON AGGREGATE INVESTMENTS.—The 23d undesignated paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 338a) is amended in the 4th sentence, by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(c) ADVANCES TO CRITICALLY UNDERCAPITALIZED DEPOSITORY INSTITUTIONS.—Section 10B(b)(3)(A)(ii) of the Federal Reserve Act (12 U.S.C. 347b(b)(3)(A)(ii)) is amended by striking ''any deposit insurance fund in'' and inserting ''the Deposit Insurance Fund of''.

(d) AMENDMENTS TO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section 255(g)(1)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(g)(1)(A)) is amended—

(1) by striking ''Bank Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(2) by striking ''Federal Deposit Insurance Corporation, Savings Association Insurance Fund (51–4066–0–3–373);''.

(e) AMENDMENTS TO THE FEDERAL HOME LOAN BANK ACT.—The Federal Home Loan Bank Act (12 U.S.C. 1421 et seq.) is amended—

(1) in section 11(k) (12 U.S.C. 1431(k))—

(A) in the subsection heading, by striking ''SAIF'' and inserting ''THE DEPOSIT INSURANCE FUND''; and

(B) by striking ''Savings Association Insurance Fund'' each place such term appears and inserting ''Deposit Insurance Fund'';

(2) in section 21 (12 U.S.C. 1441)—

(A) in subsection (f)(2), by striking '', except that'' and all that follows through the end of the paragraph and inserting a period; and

(B) in subsection (k), by striking paragraph (4);

(3) in section 21A(b)(4)(B) (12 U.S.C. 1441a(b)(4)(B)), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(4) in section 21A(b)(6)(B) (12 U.S.C. 1441a(b)(6)(B))—

(A) in the subparagraph heading, by striking ''SAIF-INSURED BANKS'' and inserting ''CHARTER CONVERSIONS''; and

(B) by striking ''Savings Association Insurance Fund member'' and inserting ''savings association'';

(5) in section 21A(b)(10)(A)(iv)(II) (12 U.S.C. 1441a(b)(10)(A)(iv)(II)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(6) in section 21A(n)(6)(E)(iv) (12 U.S.C. 1441(n)(6)(E)(iv)), by striking ''Federal deposit insurance funds'' and inserting ''the Deposit Insurance Fund'';

(7) in section 21B(e) (12 U.S.C. 1441b(e))—

(A) in paragraph (5), by inserting ''as of the date of funding'' after ''Savings Association Insurance Fund members'' each place that term appears; and

(B) by striking paragraphs (7) and (8); and

(8) in section 21B(k) (12 U.S.C. 1441b(k))—

(A) by inserting before the colon '', the following definitions shall apply'';

(B) by striking paragraph (8); and

(C) by redesignating paragraphs (9) and (10) as paragraphs (8) and (9), respectively.

(f) AMENDMENTS TO THE HOME OWNERS' LOAN ACT.—The Home Owners' Loan Act (12 U.S.C. 1461 et seq.) is amended—

(1) in section 5 (12 U.S.C. 1464)—

(A) in subsection (c)(5)(A), by striking ''that is a member of the Bank Insurance Fund'';

(B) in subsection (c)(6), by striking ''As used in this subsection—'' and inserting ''For purposes of this subsection, the following definitions shall apply:'';

(C) in subsection (o)(1), by striking ''that is a Bank Insurance Fund member'';

(D) in subsection (o)(2)(A), by striking ''a Bank Insurance Fund member until such time as it changes its status to a Savings Association Insurance Fund member'' and inserting ''insured by the Deposit Insurance Fund'';

(E) in subsection (t)(5)(D)(iii)(II), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund'';

(F) in subsection (t)(7)(C)(i)(I), by striking ''affected deposit insurance fund'' and inserting ''Deposit Insurance Fund''; and

(G) in subsection (v)(2)(A)(i), by striking ''the Savings Association Insurance Fund'' and inserting ''or the Deposit Insurance Fund''; and

(2) in section 10 (12 U.S.C. 1467a)—

(A) in subsection (c)(6)(D), by striking ''this title'' and inserting ''this Act'';

(B) in subsection (e)(1)(B), by striking ''Savings Association Insurance Fund or Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(C) in subsection (e)(2), by striking ''Savings Association Insurance Fund or the Bank Insurance Fund'' and inserting ''Deposit Insurance Fund'';

(D) in subsection (e)(4)(B), by striking ''subsection (1)'' and inserting ''subsection (l)'';

(E) in subsection (g)(3)(A), by striking ''(5) of this section'' and inserting ''(5) of this subsection'';

(F) in subsection (i), by redesignating paragraph (5) as paragraph (4);

(G) in subsection (m)(3), by striking subparagraph (E) and by redesignating subparagraphs (F), (G), and (H) as subparagraphs (E), (F), and (G), respectively;

(H) in subsection (m)(7)(A), by striking ''during period'' and inserting ''during the period''; and

(I) in subsection (o)(3)(D), by striking ''sections 5(s) and (t) of this Act'' and inserting ''subsections (s) and (t) of section 5''.

(g) AMENDMENTS TO THE NATIONAL HOUSING ACT.—The National Housing Act (12 U.S.C. 1701 et seq.) is amended—

(1) in section 317(b)(1)(B) (12 U.S.C. 1723i(b)(1)(B)), by striking ''Bank Insurance Fund for banks or through the Savings Association Insurance Fund for savings associations'' and inserting ''Deposit Insurance Fund''; and

(2) in section 536(b)(1)(B)(ii) (12 U.S.C. 1735f–14(b)(1)(B)(ii)), by striking ''Bank Insurance Fund for banks and through the Savings Association Insurance Fund for savings associations'' and inserting ''Deposit Insurance Fund''.

(h) AMENDMENTS TO THE FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT OF 1989.—The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 1811 note) is amended—

(1) in section 951(b)(3)(B) (12 U.S.C. 1833a(b)(3)(B)), by inserting ''and after the merger of such funds, the Deposit Insurance Fund,'' after ''the Savings Association Insurance Fund,''; and

(2) in section 1112(c)(1)(B) (12 U.S.C. 3341(c)(1)(B)), by striking ''Bank Insurance Fund, the Savings Association Insurance Fund,'' and inserting ''Deposit Insurance Fund''.

(i) AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956.—The Bank Holding Company Act of 1956 (12 U.S.C. 1841 et seq.) is amended—

(1) in section 2(j)(2) (12 U.S.C. 1841(j)(2)), by striking ''Savings Association Insurance Fund'' and inserting ''Deposit Insurance Fund''; and

(2) in section 3(d)(1)(D)(iii) (12 U.S.C. 1842(d)(1)(D)(iii)), by striking ''appropriate deposit insurance fund'' and inserting ''Deposit Insurance Fund''.

(j) AMENDMENTS TO THE GRAMM-LEACH-BLILEY ACT.—Section 114 of the Gramm-Leach-Bliley Act (12 U.S.C. 1828a) is amended by striking ''any Federal deposit insurance fund'' in subsection (a)(1)(B), paragraphs (2)(B) and (4)(B) of subsection (b), and subsection (c)(1)(B), each place that term appears and inserting ''the Deposit Insurance Fund''.

(k) EFFECTIVE DATE.—This section and the amendments made by this section shall take effect on the first day of the first calendar quarter that begins after the end of the 90-day period beginning on the date of the enactment of this Act.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Ohio (Mr. OXLEY) and the gentleman from New York (Mr. LAFALCE) each will control 20 minutes.

The Chair recognizes the gentleman from Ohio (Mr. OXLEY).

GENERAL LEAVE

Mr. OXLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on this legislation, and to insert extraneous material on the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. OSE. Mr. Speaker, I am in opposition to the bill, and I have a procedural question to ask as to who would claim the time in opposition.

The SPEAKER pro tempore. Is the gentleman from New York (Mr. LAFALCE) opposed to the motion?

Mr. LAFALCE. Mr. Speaker, I am not opposed to the motion.

The SPEAKER pro tempore. The gentleman from California (Mr. OSE) will control 20 minutes in opposition to the motion.

Mr. OXLEY. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, I rise today in strong support of H.R. 3717, the Federal Deposit Insurance Reform Act of 2002. The U.S. has the largest, most complex, most stable banking system in the world. Deposit insurance is one of the major reasons for this stability. Today we will strengthen this system so that it continues to serve as a model for the world.

Depositors, taxpayers, and depository institutions will be well served by this legislation which will modernize the Federal deposit insurance system. Federal deposit insurance was created by Congress in 1934 and it has successfully served the American people for 68 years. Public confidence has been maintained and the stability of the Nation's banking system has been preserved during periods of financial uncertainty.

The deposit insurance system has been significantly modified only twice since 1934, both times in response to the savings and loan crisis of the late 1980s and early 1990s. During this crisis, the FDIC and the RTC resolved 2,363 failures of insured institutions involving more than $700 billion in assets. As FDIC Chairman Powell stated, ''There were no bank runs, no panics, no disruptions to financial markets, and no debilitating impact on overall economic activity.'' The existence of Federal deposit insurance was a critical factor in the financial markets remaining relatively stable.

Mr. Speaker, H.R. 3717, though technical in nature, seeks to apply the experiences of the last decade to today's banking marketplace. It is 21st century legislation for a 21st century banking industry. While the purpose of deposit insurance remains the same, industry growth, bank expansion from new powers, and the integration of banking and securities activities require that the scope and coverage of deposit insurance evolve so as to reflect the realities of a modern financial services industry.

Moreover, the presence of Federal deposit insurance continues to be a key consideration for consumers in their decisions about where they do their banking and what level of deposit risk they are willing to assume.

Mr. Speaker, there is broad consensus in this body. The Bush administration and the Federal banking and thrift regulators and business and consumer groups are in favor of improving and strengthening the deposit insurance system and making it more responsive to the cyclical nature of banking activities in the post-Gramm-Leach-Bliley financial and economic environment. This legislation fulfills our commitment to the American public. Indeed, H.R. 3717 was reported out of the committee on a bipartisan vote of 52 to 2, a testimony to its responsiveness and timeliness.

This legislation is both responsive and responsible. It recognizes that depositors, savers, and investors have integrated financial needs, and that the deposit insurance system must be stronger, more flexible, and adaptable to changing depositor behaviors in ''real time.''

This bill allows the FDIC to do just that. It provides the FDIC with the necessary authority and supervisory tools to manage the deposit insurance fund in a way that balances all affected interests. It recognizes that all financial institutions present some type of risk, and that deposit insurance benefits all stakeholders, consumers, institutions and taxpayers, and that its associated benefit and costs should be allocated evenly and fairly. It expands benefits for depositors based upon their current needs and ensures premiums are assessed on insured financial institutions based upon their applicable risks.

Finally, this bill has mechanisms to ensure that the deposit insurance fund grows responsibly, that it remains at a more than adequate level during good and bad times, and that excess funds are returned to communities for loans and other economic growth programs.

I want to thank the gentleman from Alabama (Mr. BACHUS), the chairman of the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services, for taking on this challenging, highly technical legislative project and for engaging all of the major stakeholders in developing a bipartisan piece of well-balanced, highly effective 21st century legislation. I also want to thank all of the bipartisan cosponsors of this bill.

Mr. Speaker, I strongly urge my colleagues to support this bill. By doing so we ensure the public continues to maintain its confidence in the U.S. financial services industry, by far the most stable in the world.

Mr. Speaker, I ask unanimous consent that the gentleman from Alabama (Mr. BACHUS) be permitted to control the remainder of my time for consideration of this legislation.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. OXLEY. Mr. Speaker, I reserve the balance of my time.

Mr. OSE. Mr. Speaker, I rise today to oppose this legislation, and I yield myself such time as I may consume.

Much of this bill is useful, and it is needed reform, and I do want to commend the chairman of the full committee, the gentleman from Ohio (Mr. OXLEY), and the chairman of the subcommittee, the gentleman from Alabama (Mr. BACHUS) for their hard work. In fact, I fully support most of the reforms in this bill that will provide needed flexibility and stability to the insurance corporation and the deposit insurance fund. I support merging the Bank Insurance Fund and the Savings Association Insurance Fund. I support the flexibility provided to adjust reserve ratios to reflect risk, and I support the increases in protection that are provided for retirement fund accounts.

However, there is something here that I cannot support, and it, frankly, in balance, outweighs the rest of the bill. That is that I cannot support a bill that places the taxpayers at greater risk without any benefit for consumers.

This bill, in part, would increase the insured levels of individual accounts from $100,000 per account to $130,000 per account, and also it includes future automatic increases that would result from inflation. The fact of the matter is I do not understand why this particular provision was included when every expert has testified or written that this is, in fact, a bad idea.

Let me just highlight a few quotes from some of our Nation's top experts on fiscal policy.

The first I would cite is Alan Greenspan, the chairman of the Federal Reserve Board, who testified in opposition to these particular increases in deposit insurance coverages in front of both the House and Senate committees and followed up his testimony with a written letter. In his most recent testimony, Chairman Greenspan said, ''In the Board's judgment, it is unlikely that increased coverage, even by indexing, would add measurably to the stability of the banking system today. Macroeconomic policy and other elements of the safety net, combined with the current, still significant level of deposit insurance, continue to be an important bulwark against bank runs. Thus, the problem that increased coverage is designed to solve must be related to either the individual depositor, the party originally intended to be protected, or to the individual bank or thrift. Clearly, both groups would prefer higher coverage if it costs them nothing, but Congress needs to be clear about the nature of a specific problem for which increased coverage would be the solution.''

Clearly he is suggesting in no uncertain terms that this is a solution in search of a problem.

The Bush administration also opposes increases in the coverage. Both Secretary of the Treasury Paul O'Neill and Under Secretary of the Treasury for Domestic Monetary Policy Peter R. Fisher have testified on this issue. Secretary O'Neill also wrote to the committee noting that, ''However, the administration continues to believe that the deposit insurance coverage level should remain unchanged. There is no evidence that an increase in the coverage level would promote competition or materially improve the ability of community banks to obtain funds. Moreover, raising coverage could weaken market discipline and increase risk to the FDIC and, ultimately, the taxpayers.''

Under Secretary Fisher said just 2 weeks ago, ''Given the lack of potential benefits for consumers or of potential improvement in banking system competition, we cannot justify the increase in the government's off-balance sheet liabilities that would result from higher deposit insurance coverage limits. These higher contingent liabilities enlarge the exposure of the insurance fund and ultimately of taxpayers to potential future losses. Moreover, increasing the overall coverage limit could weaken market discipline and further increase the level of risk to the FDIC and taxpayers.''

My colleagues will note the similarity between that last piece of quote of Mr. Fisher and Mr. O'Neill, Secretary O'Neill's. Again, I repeat, Secretary O'Neill said, ''Raising coverage could weaken market discipline and increase risk.'' Mr. Fisher said, ''Increasing the overall coverage limit could weaken market discipline and further increase the level of risk.''

However, this is not all of the people who have testified. Other leaders have also spoken up. The Comptroller of the

Currency, John D. Hawke, Jr. testified, ''We see no compelling evidence that increased coverage levels would offer depositors substantial benefits. Anyone who wants to use insured bank deposits as a means of holding their wealth can do so virtually without limits, subject only to the minor inconvenience of having to open accounts at multiple banks. Despite the ability of depositors to achieve almost unlimited coverage at banks, money market mutual funds, which have some of the same features as bank transactions accounts and generally offer higher returns than bank deposits, today hold over $2 trillion. Because these funds could easily be placed in insured accounts, these facts suggest that many depositors are not concerned about the additional risk involved in holding their liquid funds in uninsured form, and that households are comfortable with the status quo.''

The Director of the Office of Thrift Supervision, Mr. James Gilleran, also testified on this subject saying, ''While I applaud efforts to increase the ability of institutions, particularly small community-based depositories, to attract more deposits, I am not convinced that increasing the insurance cap will achieve this result. I do not think this approach can be supported from a cost-benefit standpoint. Increasing the current insurance coverage level to $130,000 would incur significant costs for insured institutions, since premiums would necessarily be increased. The benefits of an increase are unclear. I have heard from many of our institutions that they see no merit to bumping up the current limit for standard accounts. In their view, projected increases in insured deposits would not lead to a substantive increase in new accounts. Moreover, individuals with amounts in excess of $100,000 already have numerous opportunities to invest their funds in one or more depository institutions and obtain full insurance coverage for their funds.''

Mr. Speaker, I want to again just repeat, the Comptroller of the Currency John Hawke says people have the ability to open multiple accounts to hold their money, and that, in fact, they seem to have personally gotten comfortable with the level of risk in excess of $100,000; and Director of the Office of Thrift Supervision James Gilleran says people have significant and ample opportunities to open accounts at multiple depository institutions and provide themselves with the insurance coverage that they might otherwise seek.

Now, interestingly enough, it is not just the administration officials who are speaking out. The Financial Services Roundtable wrote to the chairman, the gentleman from Ohio (Mr. OXLEY), with their concerns noting, ''We are writing in opposition to the provisions of H.R. 3717 that would raise deposit insurance coverage levels and increase premiums on all institutions. Raising coverage could weaken market discipline and increase risk to the FDIC, all insured institutions and, ultimately, taxpayers. The FDIC has said that these coverage increases could dilute the fund by as much as 13.6 basis points or $6.1 billion,'' $6.1 billion. ''We believe that this is too high a price to pay for something that could yield minimal, if any, benefit.'' This letter was signed by a former Congressman, Steve Bartlett.

In addition, the Association for Financial Professionals, which represents many of the men and women in the business community who deal with finances every day, wrote just this week that, ''The deposit insurance coverage level should remain unchanged. It is not clear to us that a higher coverage limit would address funding concerns at smaller institutions. But, more importantly, we do not believe that the use of the deposit insurance system for the competitive purpose of trying to help some banks with their funding is an appropriate public policy position. Deposit insurance coverage is not a competitive issue. Coverage is intended to benefit the depositors, not banks.''

□ 1945

The Association of Financial Professionals chair also testified before the subcommittee of the gentleman from Alabama (Mr. BACHUS) on this very issue. George Kauffman, a professor of banking and finance at Loyola University in Chicago, Illinois, also wrote on the issue, noting that an increase in coverage ''is likely to encourage some depositors to become less concerned about the financial health of their banks, and banks to take more risks, which would increase the chances of bank losses and failures.''

Many of the expert witnesses who testified before the subcommittee of the gentleman from Alabama spoke at great detail in opposition to an increase in coverage. I do not know why Members disregarded the advice they solicited.

Mr. Speaker, I reserve the balance of my time.

Mr. BACHUS. Mr. Speaker, I yield 5 minutes to the gentleman from New York (Mr. LAFALCE), the ranking member of the Committee.

Mr. LAFALCE. Mr. Speaker, I thank the distinguished chairman of the Subcommittee on Financial Institutions and Consumer Credit for yielding time to me.

Mr. Speaker, our Federal deposit insurance system is a critically important element in our economic stability, and it has served our people quite well for almost 70 years. I do believe that H.R. 3717 makes some very important improvements to that system.

Among the bill's strong points: it would merge the bank insurance fund, the BIF, and the savings association insurance fund, the SAIF. It would make the system less pro-cyclical by permitting the FDIC to charge risk-based assessments at all times, and it would eliminate the so-called ''cliff'' of extremely high required assessments should the fund fall below the Designated Reserve Ratio for an extended period.

It also deals with the so-called ''free rider'' problem. It also provides the FDIC with enhanced flexibility to manage the fund.

Now, for years I and a number of other Members and industry leaders and regulators have been calling for these reforms; and I am pleased, very pleased, that these reforms are included in this legislation that we consider today.

I am also very pleased that the longstanding law encouraging life-line banking that the gentlewoman from California (Ms. WATERS) has promoted since she has been in Congress will be made operational by a provision in this bill that she drafted. All those factors persuaded me to support going forward on this bill.

On the other hand, there are some provisions of the bill, most of them articulated by the gentleman from California (Mr. OSE), that do give me some concern. I hope we will be able to give closer attention to them in conference, should we ever get to a conference. These are features that could result in increased risk to the Federal deposit insurance funds and the banking system.

Specifically, I am concerned that the increase in the coverage limits for standard bank deposits and the increase in the limits for municipal deposits, especially, could create increased incentives for risk-taking by banks, thrifts, and credit unions without an appropriate compensating benefit for depositors, and without any assurance that the increased limits will result in a net increase in deposit in the institutions that claim these increases are needed to fund loans to their customers.

My concerns are not isolated. They are shared by Federal Reserve Chairman Alan Greenspan, by the FDIC chairman, by the former Secretary of the Treasury, Larry Summers, and by the present Secretary of the Treasury, Paul O'Neill. Mr. O'Neill points out that ''an increase in coverage would primarily benefit high net worth individuals, and do little for the great majority of savers who have deposit balances far below the current coverage limit.''

To raise the general coverage level to $130,000 would, the FDIC estimates, reduce the fund balance by almost four basis points immediately, and more than an additional four basis points in the future. Now, eight basis points may not seem like much, but it would be the difference today between a combined fund ratio of 1.29 above today's statutory designated reserve ratio and 1.21, which is below the current DRR of 1.25.

Under current law, a fund ratio at that level would definitely result in increased premiums and under this legislation would likely prompt the FDIC to begin to assess higher insurance premiums.

Every basis point of premiums takes money out of the banking system and away from lending to communities. The CBO predicts that the bill will result in a net premium increase to banks, thrifts, and credit unions of $3.5 billion over 10 years. That is $3.5 billion that could be used for community lending.

I am encouraged that the gentleman from Ohio (Chairman OXLEY) and the subcommittee chairman, the gentleman from Alabama (Mr. BACHUS), have been willing to address some of my concerns about the increased coverage by agreeing to reduce the maximum municipal deposit insurance limit from $5 million to $2 million. The lower limit reduces risk to the deposit insurance fund and the banking system, but it still permits more than 80 percent of the Nation's local governments to place all their cash in their local community banks, while enjoying the maximum FDIC protection provided by the bill.

On balance, however, especially because of the merger of the BIF and the SAIF, the Federal Deposit Insurance Reform Act of 2002 represents a serious effort to reform our current deposit insurance system, and it should be taken to the next step in the legislative process.

I look forward to working with the chairman of the full committee, the subcommittee, the ranking members, and the Members of the other body to reduce the legislation's potential increased risk to the Federal insured deposit system, and hence, the American taxpayer.

Mr. OSE. Mr. Speaker, I yield 4 minutes to the gentlewoman from New York (Mrs. MALONEY).

Mrs. MALONEY of New York. Mr. Speaker, I thank my colleague and friend, the gentleman from California (Mr. OSE), for yielding me the time.

Mr. Speaker, today we are considering one of the most important reforms to our Nation's banking system that Congress will vote on for many years. It was at our Nation's darkest economic hour that the deposit insurance system was founded to save our country's banking system. The bill we are considering on the floor today makes many positive changes to the system, but also includes one provision that in my opinion is seriously damaging.

As other Members have stated, the underlying bill takes some very important steps forward. We increase the long-term stability of the deposit insurance funds by combining the BIF and the SAIF. This merger is long past due.

We also eliminate the 23 basis point ''cliff'' that mandated a massive potential charge to the system at the worst possible time. Additionally, the bill contains language added during the full committee markup in the amendment in the nature of a substitute dealing with calculating dividends and credits that I authored with the gentleman from Nebraska (Mr. BEREUTER).

Minor changes to the language of this provision have been made, in full agreement with the FDIC and the bill on the floor before us today.

At its heart, the provision ensures that any excess funds that are returned to financial institutions under the bill, either through assessment credits or dividends, be given in proportion to the contributions these institutions have made to capitalize the insurance funds. Banks and thrifts have made sizeable contributions to the deposit insurance funds over the years. Those contributions should be given great weight when determining what proportion of any excess in the deposit insurance fund those institutions are entitled to.

Importantly, not only do these provisions recognize the contributions of those institutions that originally capitalized insurance funds, but they also recognize the new capital put in by institutions now and in the future. In this way, a fair distribution of any excess capital in the insurance fund will occur. This is a very positive step, and I thank the gentleman from Nebraska (Mr. BEREUTER) and his staff for working with me and my staff on this language.

Unfortunately, this bill also plays a dangerous game by increasing deposit insurance coverage by 30 percent, and increasing risk to the deposit insurance fund.

I sat through many hearings on this issue and listened to all the testimony. Today, I am in general agreement with statements by FDIC Chairman Don Powell, Federal Reserve Chairman Alan Greenspan, Treasury Secretary Paul O'Neill, and many if not most in the banking industry itself who do not see a reason for a major increase in basic insurance coverage.

As Secretary O'Neill wrote to the committee, and I quote, ''An increase in coverage would primarily benefit high net worth individuals and do little for the great majority of savers.''

Alan Greenspan weighed in writing that ''The FDIC's recent projections of losses suggest that any expansion in coverage would have to be matched by increases in premiums in order to raise the reserve coverage of the fund.''

Accordingly, I had planned to offer an amendment with my good friend, the gentleman from California (Mr. OSE), to keep the coverage level at the $100,000 level. This is a huge issue that Congress should have to decide on the record, and I would have preferred that this bill come to the floor under such a rule.

While I strongly oppose this increase in coverage, I am supporting the bill on the floor today because I believe it improves the system overall. I am truly hopeful that the Senate is able to fix the coverage level as the process moves forward; and I want to thank the ranking member, the gentleman from New York (Mr. LAFALCE), and the gentlewoman from California (Ms. WATERS) and the gentleman from Ohio (Chairman OXLEY) and the gentleman from Alabama (Mr. BACHUS) for moving this very important bill forward. I hope the final product that returns from the Senate repairs the flaws with the legislation we are voting on today.

Mr. BACHUS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. KELLY) to speak in support of the legislation.

Mrs. KELLY. Mr. Speaker, I thank the gentleman from Alabama for yielding me the time.

Mr. Speaker, I rise today in strong support for H.R. 3717, the Federal Deposit Insurance Reform Act. This legislation should be supported for two important reasons: first, it increases deposit insurance coverage for the first time since 1980; and, second, the bill introduces flexibility into the designated reserve ratio.

As we are all aware, the FDIC insurance plays a critical role in our Nation's financial system, ensuring both consumer confidence in banks and stability in the system. Today, community banks are facing serious funding challenges due to the lack of core deposits, which is why an increase in the deposit insurance coverage levels is such an important issue.

While I support higher deposit insurance levels, I also support the increase in the bill which raises the Federal deposit coverage to $130,000. It provides for automatic inflation adjustments and provides for up to $2 million in municipal deposit coverage.

Increasing coverage levels would benefit communities, retirees, consumers, farmers, the economy, and small business customers by enabling depositors to keep more of their money in local banks where it can be reinvested for community projects and local lending.

In addition, the legislation removes the current hard target of the designated reserve ratio and replaces it with a flexible range. This change will allow banks to do their job and provide credit when it is most important: when the economy is struggling.

This is an acknowledgment of the harsh effect these assessments can have on the economy and allows the FDIC to coordinate the imposition of such assessments with the Federal Reserve. This legislation enjoys strong bipartisan support, having passed the Committee on Financial Services by a vote of 52 to 2.

I ask all my colleagues to join me in support of strong legislation which will enhance the effectiveness of the FDIC and help consumers and our communities.

Mr. OSE. Mr. Speaker, I yield myself such time as I may consume. I feel like Churchill up here when I hear the 52 to 2 vote.

Mr. Speaker, I do want to say, one of the things that the gentlewoman from New York (Mrs. KELLY) mentioned was the impact on, in particular, rural communities, where we have such trouble keeping deposits in the community because of the ability to go get higher returns outside.

Representing a rural community, we could have dealt with this particular issue by crafting, in my opinion, some sort of vehicle whereby banks in rural communities, under some set of conditions, could have addressed that. I regret that this idea only came to me late in the process, but I would hope that the conference committee would at least consider that in their deliberations.

Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. ROHRABACHER).

□ 2000

PARLIAMENTARY INQUIRY

Mr. BACHUS. Mr. Speaker, parliamentary inquiry.

Mr. Speaker, the gentleman consumed about a minute on that explanation, and that does go towards his time, does it not?

The SPEAKER pro tempore (Mr. SIMPSON). It does.

Mr. OSE. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. ROHRABACHER).

Mr. ROHRABACHER. Mr. Speaker, I rise in strong opposition to H.R. 3717. The last speaker, my colleague, the gentlewoman from New York (Mrs. KELLY), mentioned that this proposal would be the first major increase in the Federal deposit insurance in 20 years. Well, let us take a look at what happened 20 years ago when we had a major increase in federal deposit insurance. What happened? Let us think about it.

What happened 20 years ago when there was a major increase? There was a complete meltdown of the savings and loan industry and it ended up costing us, the taxpayers, tens of billions, if not hundreds of billions, of dollars. I am not sure exactly what it was, but it was one of the worst economic catastrophes this country has had to deal with.

So here we are again. We want to have a major increase in Federal deposit insurance. Now, let us make this clear, what Federal deposit insurance is supposed to be all about. Federal deposit insurance came about in the 1930s as a way of trying to protect the little guy and give the little guy some confidence to put his or her money into a small bank so that that person would have some confidence and their savings would be protected. I think it started out at $3,500. For a long time it stayed at $10,000. It stayed there for a long time at $10,000 because that is how much regular Americans could expect to try to save.

Well, guess what? Back in 1980 they took it up to $100,000 for a deposit insurance; and then on top of that, it is not just one account of $100,000 we are talking about.

Now, we are talking about not just protecting the little guy who wants to save 5 or $10,000 in an account, we are talking about rich people taking advantage of a program that was established to help little guys, so you have multiple accounts. As the gentleman from California (Mr. OSE) pointed out, rich people can take $100,000 and just pour it into account after account after being in various different banks. And, in fact, your own bank, one bank can sort of manipulate the system so that an individual, a wealthy individual, can have seven individual accounts in one bank.

Now, this was not set up to try to protect people who are multi, multimillionaires, but that is what it has turned into. And, by the way, this increase, this increase in the level will only make that matter worse. What we could do is we should be going in the opposite direction. What this has evolved into and what this continues to evolve into is the little guys now are being taxed in order to take away the risk for the big guys.

So what we now have is a Federal deposit insurance program that taxes the little guy in order to protect the fat cats from any risk. That is not the way it was supposed to be. And by increasing that deposit insurance, we are making that even worse.

And by the way, the gentleman from California (Mr. OSE) quoted expert after expert after expert saying that this would have the same destabilizing effect that it had in 1980, to increase this deposit insurance. It takes away from people's consideration of where they are placing their money. It takes risk off their shoulders so it makes them more irresponsible even to a certain degree. We do not want to put more irresponsibilities into our system. Let us do the opposite. Let us decrease Federal deposit insurance so it only protects the little guy instead of opening up our system to be exploited by a bunch of fat cats at the expense of the little guy.

I would ask all of my colleagues to oppose this dramatic increase in Federal deposit insurance even though there are some reforms that were part of this legislation that are certainly good reforms.

Mr. BACHUS. Mr. Speaker, I yield 2 minutes to the gentleman from South Dakota (Mr. THUNE) in support of the legislation.

Mr. THUNE. Mr. Speaker, I thank the gentleman for yielding me time.

Mr. Speaker, I rise today in support of the Deposit Insurance Reform Act and I am pleased that it has been brought to the floor. I credit the gentleman from Alabama (Mr. BACHUS) for his hard work and leadership as well as colleagues on both sides of the aisle and the Committee on Financial Services for getting this bill to the House floor for a vote.

Deposit insurance helps banks keep local deposits at work in local communities. In the communities of South Dakota, deposit insurance helps banks attract deposits to fund consumer and small business loans, community development projects, mortgages, education assistance and small business start-ups.

As we know, this legislation increases deposit insurance coverage to $130,000 and that indexes it for inflation. This will be helpful to rural communities as it helps to mitigate the impact of the declining rural population and fewer depositors. I believe that local dollars should be invested locally and this bill will make that happen. Rural banks often find depositors see the current $100,000 insurance limit as a deposit cap, limiting their ability to grow, thrive and serve their communities. Additional deposits over $100,000 often force rural residents to send deposits to other banks outside of their area. Rural residents, oftentimes elderly, should not have to send their deposits elsewhere. They ought to feel safe and secure depositing their funds in the local banks where the money can be used to support local lending and local economies.

If it stays in the community, this money can serve as lendable funds for local projects in development in a small community. When depositors send their money to other communities, the cycle of reduced investment and opportunity and increased population flights only continues.

This legislation will also help farmers keep on pace with the dynamically changing agricultural economy. As production input costs and technology increase, local banks are constrained by artificially low deposit insurance caps, while at the same time being asked to make loans for increasingly costly farming operations. These loans can easily exceed what the business or farming operation can have insured at that banking institution.

Mr. Speaker, I believe H.R. 3717 is common-sense legislation. It will provide security for bank customers and diversify the economies of small communities. I ask my colleagues to vote yes. This reform will be good for rural communities across this country that many of us represent.

The SPEAKER pro tempore. The gentleman from Alabama (Mr. BACHUS) has 6½ minutes remaining. The gentleman from California (Mr. OSE) has 1 minute remaining.

Mr. OSE. Mr. Speaker, I reserve the balance of my time.

Mr. BACHUS. Mr. Speaker, I yield 3½ minutes to the gentlewoman from California (Ms. WATERS) to speak in support of the legislation.

Ms. WATERS. Mr. Speaker, I rise in support of H.R. 3717. Deposit insurance has served America well for over 65 years. It has maintained public confidence in our banking system throughout times of prosperity and times that were not so good.

The bill we reported out of the Committee on Financial Services is designed to maintain and strengthen today's system for tomorrow's consumers so that we can ensure that we have a deposit insurance system that will serve us well throughout the new millennium. I am particularly concerned

about our small independent community banks and I believe they will benefit from this legislation.

Not everyone agrees with this increase in FDIC. However, the Senate will continue to reconcile some of the differences that have been articulated, but I believe we should vote to pass this bill off the floor. This legislation merges the bank insurance funds and the savings association insurance funds into one deposit insurance fund. It also grants the FDIC increased flexibility to manage the funds, particularly in replacing the hard trigger designated reserve ratio with a range which will permit the FDIC to respond to economic conditions in setting the designated reserve ratio.

I am particularly pleased that the legislation includes an amendment that I offered during subcommittee consideration. This amendment represents a small but important change that will implement a law that has been on the books since 1991. During the consideration of the FDIC Improvement Act, then-Congressman Tom Ridge and Floyd Flake sponsored legislation to provide for a discount in deposit insurance assessment for deposits attributable to lifeline for basic banking accounts.

Basic banking is just what it sounds like. At least one quarter of low income families are currently unbanked, that is, they exist outside of the traditional banking system, often relying on check-cashing services or notorious payday lenders to facilitate basic transactions, generally paying exorbitant fees in the process.

We all take for granted the ease and convenience of having a checking account, but many families lack that luxury because they are unable to maintain large minimum balances in these accounts. These lifeline accounts, by their very nature, do not hold large deposits.

Furthermore, the FDIC concedes that any effect on the fund would be negligible. However, implementation of the Flake/Ridge provision was wholly dependent on appropriated funds which never materialized.

My amendment simply removes the requirement for appropriated funds so that this provision, after more than a decade on the books, can finally be implemented. My amendment was adopted by voice vote at subcommittee and upheld at full committee by a bipartisan vote. It attracted the support of both industry and consumer groups, including AARP, the Independent Community Bankers of America, the New Jersey League of Community Bankers, the Consumer Federation of America, U.S. Public Interest Research Group, Consumers Union and the National Consumer Law Center.

I would like to thank all of my colleagues on the Committee on Financial Services who supported the amendment, especially the gentleman from Alabama (Mr. BACHUS). He has worked tirelessly in support of this provision because he truly understands that providing a small incentive for banks to offer these accounts can make all the difference in the world for millions of American families. I thank him once again.

Mr. BACHUS. Mr. Speaker, we had several speakers that wanted to speak out in favor of this measure and we have only got a limited amount of time. I ask unanimous consent that both sides be given an additional 10 minutes.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The SPEAKER pro tempore. The gentleman from Alabama (Mr. BACHUS) now has 13 minutes remaining. The gentleman from California (Mr. OSE) has 11 minutes remaining.

Mr. BACHUS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, first of all, I want to stress the great consensus of opinion on most aspects of this deposit insurance legislation, and I mean that sincerely. There is broad support from the administration. There is broad support from the regulatory agencies. There is broad support from Members of the House and members of the Senate, from those of the Democratic party and the Republican party for most aspects of this bill. And as I think this debate has pretty clearly identified, it is 10 percent of this bill that has caused 90 percent of the problems for certain members of the committee.

What I want to address, first of all, is that 90 percent of the bill which I find really no opposition for, and I want to stress those things because I think they are the heart of this bill. The first one is that we merge the bank and thrift insurance funds. That would not only diversify the risk, and everyone agrees on that, the Treasury, the Federal Reserve, both the Senate and the House, because the BIF reserve ratio has recently declined to 1.26. So by combining these funds it reduces the risk that any of our financial institutions will have to pay any premiums in the future. It reduces that risk. So whatever else happens, this legislation will reduce the risk of paying premiums to the majority of our institutions.

Now, Mr. Speaker, there are certain rapid insured deposit growth, well, what I am saying is sweep programs have caused a reduction of four basis points in the BIF program or the BIF reserve ratio funds.

□ 2015

This is from a very few financial institutions that have set up multiple subsidiary banks and they are using sweep accounts, and they are sweeping all that money into FDIC, and they are not compensating the FDIC and the Federal Reserve, the Treasury, the administration; and I think every Member of our committee agrees that this should not go on. We have addressed this.

We have reforms in this bill that compensate banks for the adverse effect of these so-called free riders. We give transition assessment credits, recognizing the contribution of those banks to the insurance reserves that they made during the early and mid-1990s, and those credits will offset future premiums for all but the newest and the most recent new institutions and also those fast-growing institutions.

The premium-setting reforms prevent future free rider inequity, and there is consensus on this and there is consensus that that ought to be done.

Finally, we have eliminated the hard trigger in the current system that can force banks to pay significantly higher premiums during economic downturns. That promotes economic stability and the well-being of the financial system. I have not heard a dissenting voice from us doing that. So those are the main components of the bill.

Where the disagreement is is the coverage rates; and Mr. Speaker, let me simply point out these things about the coverage rates, and I am going to go back for a minute to those few large institutions, financial institutions that have established sweep accounts and have established multiple subsidiary banks.

What those institutions are doing is they are going out and they are advertising $700,000, $800,000, $1 million worth of coverage, and my colleagues have heard testimony from those who oppose a coverage increase, that the people do not want an increase of coverage, they do not need an increase of coverage. The same Treasury Department that says people do not want it have also come to us and said these very institutions that are offering $700,000 worth of coverage or $800,000 worth of coverage, ''that they have reduced these large financial companies controlling multiple industry banks, have reduced the BIF reserve ratio by four basis points to an alarming level without compensating the FDIC.''

Now, I ask all the Members this question: If they are sweeping all this money into these accounts by offering additional coverage, where is the money coming from if it is not coming from people who want additional coverage? How can the Treasury and how can the Federal Reserve and how can certain Members of the House and Senate say that people do not need additional coverage, they will not use additional coverage, and yet at the same time agree that these, really a couple of financial institutions mainly, are sweeping millions and millions and millions of dollars into these accounts? Well, obviously the people are using these accounts, and obviously they feel the need for this protection; and that is why we need additional coverage.

In 1974, we increased coverage. We over-doubled coverage. Was there a crisis then? No, there was no crisis then. So increasing it 150 percent did not cause any crisis then. In 1980 we increased the coverage for all the banks

in this country. Did banks fail? No, banks did not fail. It was savings and loans that fell. Yes, we increased it for savings and loans; but if it was because of increase of coverage, do my colleagues not think banks would have failed, along with the savings and loans? Of course they would have, but it was only the savings and loans.

Yes, we got a lot of testimony about, oh, the last time we did this there was the savings and loans, several of them failed, but they do not say the banks did not fail and we increased it for banks. It just does not fly.

In 1974, the coverage was at $40,000. If we went back to 1974 and we increased it allowing for inflation, we would have gone to $140,000. We only go to $130,000. So we are not even keeping pace with 1974 when the chairman of the Federal Reserve said we had a safe amount and it was at a safe level. Well, if that is the case, then I guess he is advocating for $140,000, not $130,000. When we increased it to $100,000, if we only adjusted for that inflation today, it would be $200,000, not $130,000. What we do in this bill is increase it to $130,000, which is less coverage than the people of the United States had enjoyed in 1974, in 1980 and at any time.

We do not take care of all the inflationary loss, and we hear a lot of strange talk up here in Washington. We hear talk that the people do not need this coverage, but Mr. Speaker, we heard that every time there was a bank failure, there were people who lost a great amount of their retirement funds because the coverage was not there. Five thousand Americans every day sell their home, and the vast majority of them deposit the proceeds from those sales in their bank account.

The gentleman from California would tell us, and the Federal Reserve and the Treasury would tell us, that people have an opportunity to open multiple accounts and establish that money in multiple accounts. Well, I ask my colleagues, Mr. Speaker, I ask the Members of this body, When people sell their home, how many of them go out and establish three bank accounts and deposit that money in three different accounts? Experience tells us that almost no one does that, and when they deposit it, when they deposit that $200,000 or $300,000 in a bank account and that bank fails, they lose two-thirds of their life savings.

Retirement accounts, $150,000, $200,000, not unusual. How many people go out and establish multiple IRA accounts? Well, I think we know the answer to that. The AARP has strongly, in fact, they have urged a greater increase in coverage than we give, because people do not run around all over town establishing one account here, another account there, another account there; and they should not have to do that.

They should not have to rely on a couple of large financial institutions of this country that have come in here and battled against this bill, and they have said we do not need over $100,000; but those same companies and the financial services roundtable that has represented their interests have come up here and told them they do not need $100,000. Those same companies that were on this hill lobbying against an increase were going out and buying six or eight banks and advertising $800,000 worth of coverage, bankrupting the funds; and then they had the audacity to come up here and oppose this bill and oppose our efforts to stop their raid on the FDIC.

Thank goodness in committee, thank goodness in subcommittee and thank goodness in the morning when we vote on this legislation we will pass it, and we will stop the abuse that we have seen in the last couple of years on free riders who not only free ride on the FDIC, they come to the Members of this body and lobby against our efforts to stop their efforts to, as Peter Fisher said, to reduce the BIF reserve ratio by four basis points without compensating the fund.

That is what they have done. Certainly they have gimmicked the system. They are getting a free ride. They are paying nothing; and they are going to communities like the communities in South Dakota, like communities in Alabama, communities all over the Nation, and they are saying we will offer $700,000 worth of coverage; and then they and friends and supporters that they have at the Federal Reserve and the Treasury are coming over here and telling us to do something about these free riders but do not do anything about the free riders which would interfere with a free ride, do not do anything which allows the community banks to increase coverage, we do not need an increase of coverage.

Well, the marketplace is demanding it. The marketplace is getting it. The free riders have gone out and gotten an increase in coverage, and it is absolutely ludicrous for us to let this continue to go on.

Mr. Speaker, I reserve the balance of my time.

Mr. OSE. Mr. Speaker, I yield myself such time as I may consume.

Lacking any other speakers, I do want to make a few remarks. I think the gentleman from Alabama started out very accurately reflecting the broad consensus on 90 percent of this bill, and I think he closed here just this moment with a very eloquent case as to why we need to stop the free rider practice from continuing, but the free rider issue is not related to the deposit insurance level issue. They are two separate issues, and they need to be considered separately.

I would just for clarification, I think the gentleman from Alabama did say that few, if any, banks had failed; and I will say that to my recollection that Continental Bank failed and that there were a lot of banks in agricultural areas around this country that failed. Manufactures Hanover I think had its doors closed, related to the risk that they undertook in taking the increase in deposits, they received subsequent to the jump up in 1982 and trying to put them to work to defray the added costs that they bore from carrying those deposits.

So I agree with him on the free rider thing. But the free rider issue is separate from the deposit insurance increase issue, and I want to be clear about that.

The average size in a deposit account, a demand account across this country is about $10,000, $10,000, not $100,000, not $130,000. The market sector that the gentleman from Alabama referred to as ''known as a high income sector,'' they get a lot of preferential treatment from many financial institutions. It is a marketing aspect of what those institutions do, and it works very well; but this is not about the free rider issue. This is about the added risk that comes by increasing deposit insurance levels and the cost that goes with that that a bank would have to confront.

I do think, going back to the gentleman from Alabama's (Mr. BACHUS) point about the retirement accounts, absolutely concur about increasing the level of coverage for retirement accounts. That money is very conservatively managed. It is a very stable source of funds. The fact of the matter is the bill takes it to a certain level I would actually advocate for taking it even further, if I had thought to put an amendment in at the committee. So I concur with the gentleman that 10 percent of the bill is causing 90 percent of the heartache here.

I do want to complete my statement from earlier, and then I would be happy to reserve the balance of my time after that. Mr. Speaker, let me just point out two witnesses who presented extensive, in addition to all these others that I cited earlier, presented extensive scholarly materials to the subcommittee in opposition to an increase in the coverage levels.

First was Mr. Richard Carnell who is an associate professor of law at Fordham University School of Law who testified: ''I urge Members to take a skeptical view of proposals to index or otherwise increase the $100,000 limit on deposit insurance coverage. Proponents of increasing the coverage limits stress the effects of inflation since 1980. But the 1980 level was by no means normal; adjusted for inflation, it amounted to an all-time high.''

Professor Carnell was joined by Dr. Kenneth Thomas who is a lecturer in finance at the Wharton School at the University of Pennsylvania, who listed 21 major reasons, I will not cite all 21, Mr. Speaker, but 21 major reasons to oppose an increase in the coverage limit. Among those reasons were, Dr. Thomas spoke at length on the savings and loan bailout and how increases in 1980 in the deposit insurance coverage levels led to risky behavior and even larger bailouts.

□ 2030

Dr. Thomas highlighted the historical perspective from former FDIC and Resolution Trust Corporation chairman, and if my colleagues will recall, the Resolution Trust Corporation was the entity the Federal Government used to solve the early 1980s problem in the financial industry, the Resolution Trust Corporation Chairman Seidman, who said, ''The original intent of deposit insurance, which began with a $2,500 insurance limit, was to protect 'small savers.' The primary beneficiaries of the 1980 increase to $100,000 were Wall Street firms and deposit brokers. The currently proposed increase to $200,000,'' which is not what we are talking about today, we are talking about $130,000, but the premise still holds, ''the currently proposed increase to 200,000 has nothing to do with small or even midsized savers. Besides Wall Street and other money brokers, the only beneficiaries would be very wealthy and high net worth depositors, a far cry from the small savers originally envisioned by the FDIC.''

This speaks directly to the comments of the gentleman from Alabama a moment ago about the sweeps. Dr. Thomas also noted that, ''Considering the present environment's increased level of risk exposure for the deposit insurance funds, good public policy dictates consideration of proposals that reduce, not increase, risk exposure. Any increase in the deposits covered by the FDIC will increase risk exposure to the funds.''

Mr. Speaker, I reserve the balance of my time.

The SPEAKER pro tempore (Mr. SIMPSON). The gentleman from Alabama (Mr. BACHUS) has three-quarters of 1 minute remaining and the gentleman from California (Mr. OSE) has 5 minutes remaining.

Mr. BACHUS. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. GILLMOR).

(Mr. GILLMOR asked and was given permission to revise and extend his remarks.)

Mr. GILLMOR. Mr. Speaker, I rise in strong support of the bill, particularly the municipal deposit part.

I rise today in strong support of H.R. 3717, the Federal Deposit Insurance Reform Act of 2002. I am very proud to be an original cosponsor of this legislation and commend Chairman OXLEY and Subcommittee Chairman BACHUS for their diligent work and dedication in crafting this reform package and delivering it to the full House for consideration. Significant reform of the Federal Deposit Insurance system is long overdue, specifically with regard to municipal deposit coverage.

I have worked hard with the cooperation of several other members of the Financial Services Committee to see a meaningful increase in FDIC coverage for public deposits included in HR 3717. The Federal Deposit Insurance Reform Act will provide full FDIC coverage for 80% of all in-state municipal deposits at an FDIC insured institution up to two million dollars. This is a vast improvement from the current coverage cap of 100,000 dollars on each account.

Providing this essential coverage will help local communities keep public moneys in their area, which will improve the economic climate by enabling local banks to offer more loans for cars, homes, education and community needs.

Currently, municipalities are faced with a hard choice when deciding where to place their deposits. Local officials care about their communities and would like to foster economic development by putting their funds in local banks. However, without the guarantee of FDIC coverage, they are often instead forced to put the money in large out of state institutions.

It may also be the case that small banks are not even in a position to accept such deposits. Many states require institutions to collateralize municipal deposits. This makes it harder for community and small banks to compete for these funds with larger banks. Many community banks are so loaned-up that they do not have the available securities to use as collateral.

Just a few months ago, the FDIC closed a bank in my congressional district: the Oakwood Deposit Bank in Oakwood, OH. Local municipalities and other public entities that held deposits at this institution are now put at risk due to the $100,000 cap in FDIC coverage. In cases of fraud such as this one, securitization may not have been adequate insurance as many bonds and securities appearing on the bank's balance sheet may not still be held. The expansion of FDIC coverage is the only way to truly alleviate this risk to local public entities.

Again, I would like to thank Chairman OXLEY and Chairman BACHUS for their leadership on this important issue and ask all my colleagues to strongly support this legislation.

Mr. BACHUS. Mr. Speaker, I yield 1 minute to the gentleman from Tennessee (Mr. FORD).

Mr. OSE. Mr. Speaker, I yield 1 minute as well to the gentleman from Tennessee (Mr. FORD).

The SPEAKER pro tempore. The gentleman from Tennessee is recognized for 2 minutes.

Mr. FORD. Mr. Speaker, there is nothing like bringing your colleagues together. I appreciate both the gentleman from California (Mr. OSE) and the gentleman from Alabama (Mr. BACHUS) for yielding me this time, and I thank my friend, the gentlewoman from California (Ms. WATERS), and certainly the ranking member, the gentleman from New York (Mr. LAFALCE), for all their hard work. I stand here in support of this legislation and thankful the subcommittee decided to take up the issue concerning the FDIC's treatment of loss reserves in its calculation of its reserve ratio, Mr. Speaker. With that issue resolved, I think many of us feel more comfortable in supporting this legislation.

I want to take this opportunity to discuss one final issue, and I hope that at some point we can take this up. As enthusiastic as I am about supporting the legislation, I am disappointed in one decision the FDIC has made in recent weeks involving a proposed reorganization of the regional office structure. In particular, the FDIC has proposed to fold the Memphis regional office, which is in my district, and the Boston regional office, which is represented by many of my colleagues here in the Congress. The Memphis office would be folded into the Dallas region and Boston into New York. I believe this proposed change would lessen the FDIC's responsiveness to the concerns of financial institutions presently within the region of the country in which I live.

Moreover, it would not save much money at all. I think it is estimated to save somewhere around $100,000 to $150,000, which is a decent chunk of change, but when you consider the relationship that has developed over the years between bankers in the Mississippi, Arkansas, Kentucky, and Tennessee area, and then having to move that office to Dallas, I do not think the benefits outweigh the cost to those in this area of the country.

It is my hope that my colleagues in the New England area, as well as in those 4 or 5 States covered in my region, can work together to persuade Chairman Powell and those in the FDIC that this is not the right move nor is it the right time to make this move.

With that, Mr. Speaker, I again wish to thank both the gentleman from California (Mr. OSE) and the gentlemen from Alabama (Mr. BACHUS), and would close by saying that I do think this increase of $130,000 is fair, though I hear some of the concerns being raised by the gentleman from California.

And I might add, the University of Pennsylvania professor, I think I had him when I was there. He did not give me a good grade, so he may not be right all the time.

Mr. OSE. Mr. Speaker, I yield myself such time as I may consume, and I want to go back, finally, to Dr. Thomas' 21 citations. Again, I am not going to cite the remaining 18 or 19 of them, but I do want to run through his testimony here.

Dr. Thomas raises the issue that ''There is absolutely no public outcry over or even widespread interest in the proposal to,'' he says, ''double the FDIC insurance limit. Most people know or should know from their banks that any couple can get multiple account coverage, and singles need only open another account at any bank via a personal visit, a telephone call, or even the Internet. There is no shortage of $100,000 insured deposit investment opportunities. Some seniors may have a preference to keep their jumbo CDs spread out among several banks in $100,000 or less amounts, even if they have the opportunity to keep $200,000 at one bank.''

This speaks directly to what the current situation is. The current situation allows people to protect themselves under the current $100,000 limit. The testimony we have had at the subcommittee from high ranking government officials, from people in the business to academia, is that increasing this limit significantly increases the risk to the insurance funds.

Speaking from personal experience, I actually weathered the last time we went through this. Many of my colleagues in the real estate business did not. The fact of the matter is, it was a wholesale winnowing of the real estate business in California and it took us years to recover. My colleagues, increasing the deposit insurance coverage limit will lead to a potential for repeating that.

California leads this country's economy up and down. If we increase the risk to the insurance fund by placing on our bankers the requirement to put more money to work in a quick or hasty fashion, we are going to replay the nightmare of the early 1980s and pay billions more the next time this occurs. This body does not need to fund additional billion dollar bailouts.

I am in favor of 90 percent of this bill. There are good things in this bill. But when we look at the hands of Lady Justice balancing, in her case justice, in this case we are talking about the security and sanctity of the economy and deposits across this country, if we look at how that is balanced, in Lady Justice's case her hands are even. In the case of today's bill, the increase in deposit insurance skews that balance. We do not need to do this, my colleagues. This is unnecessary.

Unfortunately, I am forced to go against my chairman, and I ask my colleagues to oppose this bill in its current form.

Mr. Speaker, how much time do I have remaining?

The SPEAKER pro tempore. The gentleman from California has 45 seconds remaining.

Mr. OSE. Mr. Speaker, I yield the balance of my time to the gentleman from Alabama (Mr. BACHUS).

Mr. BACHUS. Mr. Speaker, I thank the gentleman for yielding me this time, and let me just close by saying that there has been a rapid insurance deposit growth. In other words, people are putting a lot of money in accounts, in 2 or 3 financial institutions in this country, which have gone out and bought multiple subsidiaries and are advertising $500,000, $600,000, and $700,000 worth of coverage.

Now, where is that money coming from, those hundreds of millions of dollars? It is coming from community banks in small towns and mainstream banks. People ought to have an option not to put that money in a Wall Street financial institution. A small business that has $300,000 or $400,000 deposited, they ought to have the option of putting that in their hometown bank.

We talk about $100,000. Yes, $10,000 may be the average account, but there are a lot of small businesses in this country that maintain one bank account in their local bank. They ought to have more coverage.

Mr. BENTSEN. Mr. Speaker, I rise today in strong support of H.R. 3717, the Federal Deposit Insurance Reform Act of 2002, legislation that will reform our federal deposit insurance programs. As a member of the Financial Services Committee, I am pleased that the House of Representatives is now acting to consider this legislation.

H.R. 3717 would combine the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) into one insurance Fund. This legislation would also permit the Federal Deposit Insurance Fund greater flexibility in setting the designated reserve ratio (DRR). Under current law, the BIF and SAIF have target DRR ratios of 1.25 percent. Today, both the BIF and SAIF have DRR levels which are higher than this target rate with the DRR for BIF at 1.26 percent and the DRR for SAIF at 1.37 percent. I believe another important part of this bill would allow the FDIC to set the DRR between the range of 1.15 percent to 1.4 percent in order to ensure that the new insurance fund is counter cyclical and avoid sharp rate swings. When the insurance fund is in distress under current law, it is likely that premiums would be increased on those institutions which may be facing increased costs and financial pressures. By charging premiums when institutions are healthy, they will be better prepared to deal with any unforeseen financial hardships.

Finally, this bill increases the maximum deposit insurance coverage for an individual from $100,000 to $130,000. I believe that this higher insurance coverage is long overdue. The deposit insurance coverage limit has not been changed since 1980. I believe that this higher coverage will help smaller financial institutions to compete for customers. Another important provision in this bill would permit consumers to get insurance coverage of $260,000 for their Individual Retirement Accounts (IRAs). In this time when we are working to encourage consumers to save for their futures, I believe that this higher IRA coverage will ensure that consumers have several options for where to keep their IRAs.

I am also pleased that this legislation includes a provision to increase the number of ''lifeline'' accounts for underserved consumers. This provision is based upon an amendment offered by Rep. MAXINE WATERS (D–CA) to ensure that the underserved consumers have access to low-cost accounts. Many poor elderly do not currently have checking accounts and may be able to use this lifeline accounts to receive electronic transfers of their social security and other direct deposits.

I urge my colleagues to support H.R. 3717, legislation to improve our federal deposit insurance program.

Mrs. ROUKEMA. I rise in strong support of HR 3717, the Federal Deposit Insurance Reform Act of 2002. This is an important bill and I want to commend the Chairman OXLEY of the Full Committee and Chairman BACHUS of the Subcommittee for pushing this bill forward. This is the most opportune time for Congress to implement these changes—when the industry is still strong and healthy.

There is no doubt that the passage of Gramm-Leach-Bliley created a brave new financial world—with new challenges for the regulators and our deposit insurance fund. This legislation makes adjustments that will not only enhance the safety and soundness of the entire financial service industry by preserving the value of insured deposits, advancing the national priority of enhancing retirement savings for all Americans, and ensuring that the value, benefit and cost of deposit insurance is fair to consumers and institutions alike.

Many of the provisions in HR 3717 are provisions that I have long supported. In fact, I introduced legislation including many of these provisions in the last Congress. For example, HR 3717 mergers the two insurance funds. Merging the funds will create a more stable, actuarially strong insurance fund, and reduce the risk of fund insolvency.

Second, the bill increases the standard maximum deposit insurance limit from $100,000 to $130,000 and indexes future coverage limits to inflation. The $100,000 coverage limit was set in 1980 and it is time to increase that coverage for consumers. In addition, Federal Credit Unions are provided with parity in general standard maximum deposit insurance coverage, coverage for retirement accounts and municipal deposits.

This bill provides double coverage limits for certain types of IRAs & 401(k)s—up to $260,000. Finally, this bill provides rebates requiring that ½ of the excess funds be returned to banks when the DRR is above 1.35 percent, and all of the excess reserves when the DRR reaches 1.4 percent. With the current fund balances, much above the 1.2 designated reserve ratio, certainly this is appropriate.

This is important legislation that deserves our support. The Federal Deposit Insurance Fund has served this Nation well for the last 68 years—public confidence and stability in the Nation's banking system were preserved through one of the largest banking crises—the 1980 Savings and Loan crisis. HR 3717 makes the necessary changes that will protect not only depositors but our financial system in times of crisis.

Mr. PAUL. Mr. Speaker, H.R. 3717, the Federal Deposit Insurance Reform Act, expands the federal government's unconstitutional control over the financial services industry and raises taxes on all financial institutions. Furthermore, this legislation could increase the possibility of future bank failures. Therefore, I must oppose this bill.

I primarily object to the provisions in H.R. 3717 which may increase the premiums assessed on participating financial institutions. These ''premiums,'' which are actually taxes, are the premier sources of funds for the Deposit Insurance Fund. This fund is used to bail out banks who experience difficulties meeting their commitments to their depositors. Thus, the deposit insurance system transfers liability for poor management decisions from those who made the decisions, to their competitors. This system punishes those financial institutions which follow sound practices, as they are forced to absorb the losses of their competitors. This also compounds the moral hazard problem created whenever government socializes business losses.

In the event of a severe banking crisis, Congress will likely transfer funds from the general revenue into the Deposit Insurance Fund, which could make all taxpayers liable for the mistakes of a few. Of course, such a bailout would require separate authorization from Congress, but can anyone imagine Congress saying ''No'' to banking lobbyists pleading for relief from the costs of bailing out their weaker competitors?

Government subsidies lead to government control, as regulations are imposed on the recipients of the subsidies in order to address the moral hazard problem. This is certainly the case in banking, which is one of the most

heavily regulated industries in America. However, as George Kaufman, the John Smith Professor of Banking and Finance at Loyola University in Chicago, and co-chair of the Shadow Financial Regulatory Committee, pointed out in a study for the CATO Institutes, the FDIC's history of poor management exacerbated the banking crisis of the eighties and nineties. Professor Kaufman properly identifies a key reason for the FDIC's poor track record in protecting individual depositors: regulators have incentives to downplay or even cover-up problems in the financial system such as banking facilities. Banking failures are black marks on the regulators' records. In addition, regulators may be subject to political pressure to delay imposing sanctions on failing institutions, thus increasing the magnitude of the loss.

Immediately after a problem in the banking industry comes to light, the media and Congress will inevitably blame it on regulators who were ''asleep at the switch.'' Yet, most politicians continue to believe that giving the very regulators whose incompetence (or worst) either caused or contributed to the problem will somehow prevent future crises!

The presence of deposit insurance and government regulations removes incentives for individuals to act on their own to protect their deposits or even inquire as to the health of their financial institutions. After all, why should individuals be concerned with the health of their financial institutions when the federal government is insuring banks following sound practices and has insured their deposits?

Finally, I would remind my colleagues that the federal deposit insurance program lacks constitutional authority. Congress' only mandate in the area of money, and banking is to maintain the value of the money. Unfortunately, Congress abdicated its responsibility over monetary policy with the passage of the Federal Reserve Act of 1913, which allows the federal government to erode the value of the currency at the will of the central bank. Congress' embrace of fiat money is directly responsible for the instability in the banking system that created the justification for deposit insurance.

In conclusion, Mr. Speaker, H.R. 3717 imposes new taxes on financial institutions, forces sound institutions to pay for the mistakes of their reckless competitors, increases the chances of taxpayers being forced to bail out unsound financial institutions, reduces individual depositors' incentives to take action to protect their deposits, and exceeds Congress's constitutional authority. I therefore urge my colleagues to reject this bill. Instead of extending this federal program, Congress should work to prevent the crises which justify government programs like deposit insurance, by fulfilling our constitutional responsibility to pursue sound monetary policies.

Mr. NEY. Mr. Speaker, I rise in support of H.R. 3717, the ''Federal Deposit Insurance Reform Act of 2002.''

I want to commend my colleagues, MIKE OXLEY, the chairman of the House Financial Services Committee and SPENCER BACHUS, the chairman of the House Financial Institutes Subcommittee, for crafting sound legislation to improve the federal deposit insurance system. This bill will reform the FDIC so that it can continue to provide the stability that Americans have depended on for years.

Last year, I introduced H.R. 1293, the ''Deposit Insurance Stabilization Act.'' This bipartisan piece of legislation addressed three of the most pressing needs of the deposit insurance system. My legislation merged the Bank Insurance Fund and the Savings Association Insurance Fund into a single sounder deposit insurance fund. My legislation also eliminated the 23 basis point cliff facing FDIC-insured institutions if the deposit insurance fund were required by law to be recaptilized. I am pleased that both of these provisions are included in the bill before us today.

My legislation included a third important component, commonly referred to as the ''free rider'' provision. This provision would give the FDIC statutory authority to assess a special premium on any insured institution with excessive net deposit growth. It was drafted to address the possible dilution of the deposit insurance fund by a handful of institutions. It was not meant to serve as a penalty or impediment to legitimate growth, but rather as an equitable to ensure that the cost of doing the business of deposit insurance is borne by those who benefit from that business.

I was pleased that the Ney free rider provision was included as part of this bill, as reported by the Financial Services Committee. It represented a good faith effort to fairly resolve a problem first brought to my attention by bankers in my state and across the country.

Unfortunately, because of the controversy it generated, this provision is not part of the managers' amendment before us today. While other provisions of the managers' amendment address the free rider problem, the absence of statutory authority for the FDIC to deal with prospective free riding could remain a problem. I am anxious to work with my colleagues in Congress and organizations like America's Community Bankers to adequately address this problem as this bill moves forward.

Again, I would like to commend the sponsors of this bill for addressing the challenges facing the federal deposit insurance system, and urge my colleagues to support this bill.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Alabama (Mr. BACHUS) that the House suspend the rules and pass the bill, H.R. 3717, as amended.

The question was taken.

The SPEAKER pro tempore. In the opinion of the Chair, two-thirds of those present have not voted in the affirmative.

Mr. BACHUS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX and the Chair's prior announcement, further proceedings on this motion will be postponed.

CONFERENCE REPORT ON H.R. 3448, PUBLIC HEALTH SECURITY AND BIOTERRORISM PREPAREDNESS AND RESPONSE ACT OF 2002

Mr. TAUZIN (during consideration of H.R. 3717) submitted the following conference report and statement on the bill (H.R. 3448) to improve the ability of the United States to prevent, prepare for, and respond to bioterrorism and other public health emergencies.

See pages H2691 of the RECORD of May 21, 2002

PAYING TRIBUTE TO WORKERS IN NEW YORK CITY FOR RESCUE, RECOVERY, AND CLEAN-UP EFFORTS AT SITE OF WORLD TRADE CENTER

Mr. OSE. Mr. Speaker, I move to suspend the rules and agree to the resolution (H. Res. 424) 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.

The Clerk read as follows:

H. RES. 424

Whereas on September 11, 2001, terrorists hijacked four civilian aircraft, crashing two of them into the towers of the World Trade Center in New York City;

Whereas these attacks were by far the deadliest terrorist attacks ever launched against the United States, claiming the lives of more than 3,000 innocent people;

Whereas 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'';

Whereas the resolve of our nation was strengthened by the courage of the thousands of brave rescue and recovery workers who used their own hands in the hours and days after September 11th to this day to remove rubble from the site to locate those trapped and buried beneath the debris of the World Trade Center;

Whereas these workers inspired the American people with their extraordinary bravery and heroism, often risking their own life and limb to help find the remains of those who perished on September 11th;

Whereas many rescue and recovery workers were not just searching for a stranger but rather their lost son, daughter, aunt, uncle, brother, sister, husband, wife, mother, father, lifelong friend, or co-worker; each of these workers were helping to clear the debris just hoping to come across any one of their loved ones;

Whereas people, not only in New York but across the nation, worked to supply Ground Zero workers with such things as food and water, clothing, and medical supplies, surmounted numerous challenges and difficulties in securing and distributing these goods, and made it happen within hours and continuing still today, never once looked at how difficult it might be to get supplies, but rather went out and did whatever it took to ensure that the needs for those supplies were met;

Whereas local businesses, churches, and citizens opened their doors to police, fire, and other workers with places to sleep, eat, or even simply pray;

Whereas the selflessness displayed by the rescue and recovery workers helped unify our nation, bringing together good people to demonstrate to the forces of terror that good would triumph over evil;

Whereas all involved in the efforts at Ground Zero were working unselfishly beyond the point of exhaustion without regard for food, water, or sleep, simply to save and recover anyone and everyone possible; and

Whereas the recovery effort will conclude after more than nine months of hard work, removing over 1.6 million tons of debris while at the same time taking great care to collect all victims' remains, thereby allowing more than 1,000 families to lay their loved ones to rest: Now, therefore, be it