assessment base for better capitalized thrifts is expected to be stable. Deposit shrinkage was more prevalent at weaker thrifts during periods when some better-managed thrifts experienced deposit growth.[7] However, the emergence of a BIF/SAIF premium differential may encourage less reliance on SAIF-assessable liabilities. The higher overall shrinkage rates of recent years are not expected to continue because a significant portion of the shrinkage was due to depositor flight from the declining or low deposit interest rates which prevailed from 1990 to the latter part of 1994. Another portion of the shrinkage can be attributed to deposit runoff at conservatorships and weakened thrifts.

- The Oakar deposit purchase rate will be zero, but Oakar deposits will grow at 2 percent per year, the estimated growth rate for BIF-member deposits. Under FDICIA, Oakar deposits are adjusted annually by the acquiring institution's overall deposit growth rate. A significant portion of Oakar deposits were acquired from the RTC, and these opportunities have all but disappeared. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 authorizes a bank holding company to acquire out-of-state banks beginning September 29, 1995, and authorizes a bank to establish *de novo* out-of-state branches beginning June 1, 1997 if the host state expressly permits interstate branching through the establishment of *de novo* branches. Thus, banks may no longer be confined to the acquisition of failed or failing charters to enter states previously closed to them.
- The average assessment rate will be 24 basis points until the SAIF is recapitalized, after which assessment rates are reduced to the level necessary to maintain the reserve ratio at 1.25 percent.

TABLE 5.—SAIF FUND BALANCE AND RESERVE RATIO PROJECTIONS

Year-end	Fund balance ($ billions)		Reserve ratio*	
	9/94 Projection	1/95 current projection**	9/94 Projection (percent)	1/95 current projection (percent)
1994	$2.2	$1.8	0.31	0.26
1995	2.9	2.4	0.43	0.35
1996	3.7	3.3	0.55	0.49
1997	4.4	4.1	0.67	0.61
1998	5.1	4.8	0.79	0.74
1999	5.7	5.6	0.92	0.86
2000	6.4	6.5	1.05	1.00
2001	7.1	7.3	1.19	1.14
2002	7.3	8.0	1.25	1.25
2003	6.8	7.9	1.25	1.25
2004	7.0	7.8	1.25	1.25
2005	6.8	7.8	1.25	1.25
2006	6.7	7.7	1.25	1.25
2007	6.5	7.7	1.25	1.25
2008	6.4	7.6	1.25	1.25
2009	6.3	7.6	1.25	1.25
2010	6.2	7.6	1.25	1.25
2011	6.0	7.5	1.25	1.25
2012	5.9	7.5	1.25	1.25

* After reaching 1.25 percent of insured deposits, the fund balance is maintained at 1.25 percent of insured deposits.
** The estimated year-end 1994 fund balance is less than was shown for September because of loss reserves set aside in the fourth quarter. The 1/95 projected fund balance incorporates an Oakar deposit growth factor, whereas the 9/94 projection did not.

As stated earlier, the Board has the authority to reduce SAIF assessment rates to an average of 18 basis points until January 1, 1998, at which time the average rate would rise to 23 basis points until recapitalization occurs. Projections made under this scenario (and using the same other assumptions as above) indicate that the SAIF would recapitalize in 2004, or two years later than under the existing rate schedule.

IV. FDIC Proposal Regarding SAIF-Member Assessment Rates

Given the fund's relatively low balance and the imminent transfer of resolution authority from the RTC to the SAIF on July 1, the SAIF must be built as quickly as possible to its mandated reserve level. It is recognized that a differential between BIF and SAIF premiums could adversely affect some SAIF members, but the thrift industry has demonstrated its ability to generate additional capital and reduce troubled assets while paying deposit insurance premiums at the current levels. Also, a shrinking assessment base is producing declining revenue, which would be cut even further by lower assessment rates. The FDIC staff has recommended that assessment rates within the risk-related assessment rate matrix remain at their current levels for the second semiannual assessment period of 1995. The Board believes that the minimum rate should not be reduced from the current 23 basis points, and that an increase in the current spread of 8 basis points from the lowest to the highest assessment rates would adversely impact weakened institutions already in danger of failure.

V. Summary

Under the existing SAIF assessment rate schedule, which yields an average assessment rate of 24 basis points, the fund is projected to recapitalize in the year 2002, which is unchanged from prior projections. The Board has the authority to reduce SAIF assessment rates to 18 basis points until January 1, 1998, after which the average rate must remain at 23 basis points or higher until recapitalization is achieved. Reducing the average rate to 18 basis points is presently projected to delay SAIF recapitalization for two years, until 2004. Although the industry is relatively healthy, FDIC staff has recommended

[7] Deposit Flows at SAIF- and BIF-Insured Institutions: December 1988 to September 1992, Policy Research Division, Office of Thrift Supervision, January 1993.