**Statement of Senator Tim Johnson**
**Financial Institutions Subcommittee**
**Senate Committee on Banking, Housing and Urban Affairs**
**"Current Issues in Deposit Insurance."**
**March 19, 2009**

As we all know, the economic landscape has undergone significant change since the Committee last looked at deposit insurance issues. In these times of economic instability, it is increasingly important that we have a strong and stable deposit insurance fund and that our regulators have the tools they need to wind down failed institutions while at the same time guaranteeing that Americans' savings and retirement remain safe. I am pleased to hold this hearing today to take a closer look at deposit insurance issues that the FDIC, National Credit Union Administration, and our nation's banks and credit unions currently face. I would also like to welcome our panel of witnesses, and thank them for their time and for their thoughtful testimony.

As our nation's housing crisis has spread through the economy--impacting banks, credit unions, secondary markets and millions of Americans, neither the FDIC's deposit insurance fund nor NCUA's share insurance fund have failed to make good on its promise to pay for the insured deposits when a institution fails. This protection is the bedrock of our financial system, but it has not come for free---the FDIC's Deposit Insurance Fund ratio has fallen to .4%, substantially lower than the 1.15% required ratio, and the NCUA's share insurance fund has struggled as corporate credit unions face losses on securities tied to home mortgages. These extraordinary times have warranted emergency and temporary actions to ensure continued stability and protection.

There are currently two pieces of legislation pending before the Banking Committee that seek to address continued deposit insurance concerns. Senator Dodd has introduced the Depositor Protection Act, legislation to permanently increase the FDIC's borrowing authority to $100 billion, and temporarily increase the emergency borrowing authority to

$500 billion until the end of 2010. In addition, the House of Representatives has passed H.R. 1106, the Helping Families Save Their Homes Act of 2009. This bill has been referred to the Senate Banking Committee, and I look forward to hearing more from today's witnesses about the potential benefits and disadvantages of each of these pieces of legislation.

While we work to maintain stable insurance funds for our nation's financial institutions, there is no doubt in my mind that further action will be needed. I am sensitive to concerns that without increased borrowing authority, assessments could force financial institutions to raise consumer fees and curtail lending. This is the last thing we want as consumers across our nation struggle and frozen credit markets limit lending to consumers. I am also concerned that too high assessments could disproportionately affect small banks. I also believe that any money borrowed from the Treasury must be repaid, with interest, and that all actions must be temporary with an eye to the long term restoration of the insurance funds. In addition, this Committee must consider what is the appropriate level of deposit insurance coverage and whether the emergency increases should be extended or even made permanent.

All that said, deposit insurance is a benefit to depository institutions, and institutions should not look to taxpayers to pay for deposit insurance. When the financial system recovers, Congress must do all it can to make sure that banks and credit unions do not resist efforts to build back up the deposit insurance fund (DIF) and the share insurance fund \.

I will now turn to Senator Crapo, the new ranking member of this Subcommittee, for his opening statement. Senator Crapo, I have valued our ability to work together on a number of issues in the past, and I look forward to working with you on this Subcommittee.