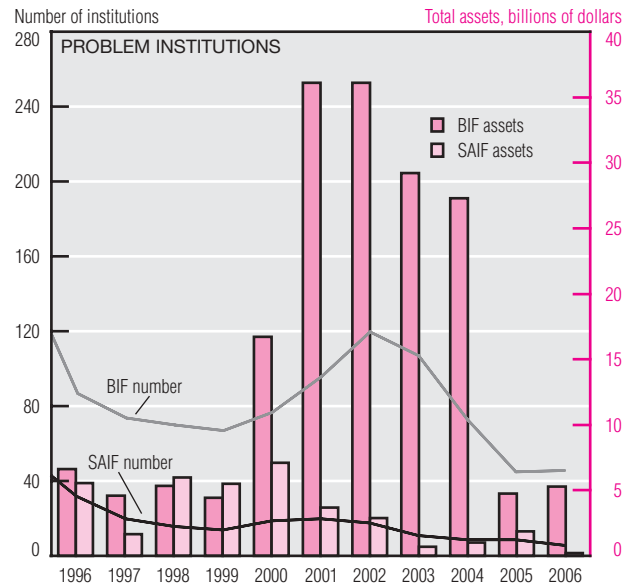
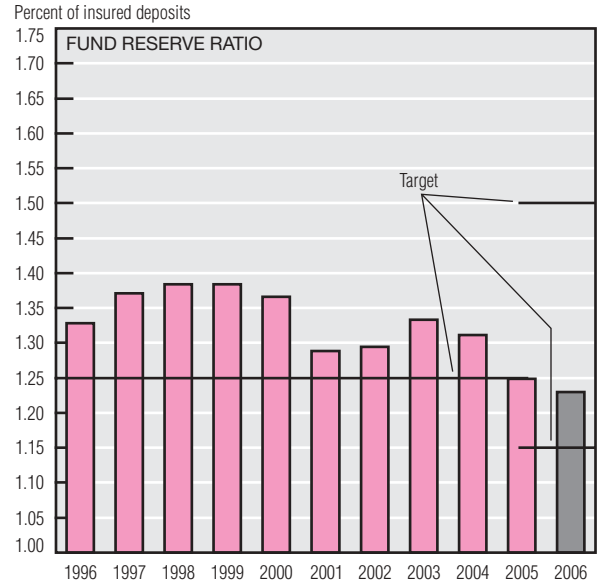
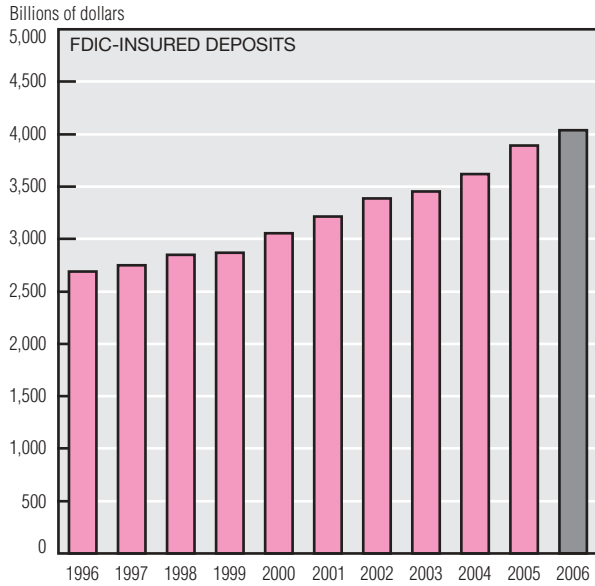


FDIC Funds



SOURCE: Federal Deposit Insurance Corporation, *Quarterly Banking Profile*, various issues.

FDIC-insured deposits grew 3.7% in the first two quarters of 2006. The insurance fund's reserve-to-deposit ratio fell to 1.23%, partly because insured deposits increased after April 1, when the Federal Deposit Insurance Reform Act of 2005 raised the insurance limit for retirement accounts from \$100,000 to \$250,000. In addition, the FDIC changed its target for the reserve-to-deposit ratio from 1.25% to a range between 1.15% and 1.50% in 2006; its board of directors can now manage the pace at which

the reserve ratio varies within this range. The law also ended the separation between the Bank Insurance Fund and the Savings Association Insurance Fund, merging them into a single Deposit Insurance Fund (DIF).

Since 1995, bank failures have been miniscule in terms of both numbers and total assets of failed institutions. No insured institution failed during the first half of 2006; 2006:IIQ was the eighth consecutive quarter without a failure of an FDIC-insured institution, marking the longest failure-free

period since the inception of federal deposit insurance.

At mid-2006, the number of problem institutions (those with substandard examination ratings) dropped to a historic low of 50, the smallest number in the 36 years for which data are available. Total assets of problem institutions declined from \$6.61 billion to \$5.50 billion over the same period. The low number of problem institutions and the low value of their assets suggest that the DIF's losses should remain low in the near future.