STATEMENT OF THE HONORABLE
Wm. Lacy Clay
Before
The Committee on Financial Services

"H.R. 522, The Federal Deposit Insurance Reform Act of 2003"

March 4, 2003

Mr. Chairman, I commend you for holding hearing to consider this bill early in the legislative year. This bill, H.R. 522, is almost identical to H.R. 3717 that I supported and was passed in the last congress. The bill passed by such overwhelming numbers (408-18) that it should be dispensed with in the shortest time possible as general agreement has already been reached by most Members. I commend you for your expeditious action in presenting this legislation today.

The "Waters provision" in the bill is an excellent one in that it gives institutions credit towards their premiums for deposits held in lifeline banking accounts. These credits are needed as incentives to banking institutions to provide accounts for persons who might otherwise not be able to afford basic banking services such as low-cost or free checking and savings accounts.

There are also concerns about the bill that have to be addressed during this hearing. Most prominent of these is the disparity that exists among institutions in regard to the payment of insurance premiums. When one considers that the system is financed almost entirely by institutions that paid premiums prior to 1997; that over 1000 new institutions have been added since 1997, with approximately $84 billion in reserve, without ever paying premiums; and currently 91% of institutions pay no deposit insurance premiums, this suggests that scrutiny of the fairness of payments is dictated.

In our discussion today with Mr. Powell, Chairman of the FDIC, hopefully we will be able to draw some conclusions as to how to more reasonably allocate the combination of assessment credits and risk-based premiums. Additionally, we hopefully will have positive communications on the effects of rapid or unexpected levels of growth of some of the institutions.

Mr. Chairman I ask unanimous consent to enter my statement into the record.