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FDIC Extends the Debt Guarantee Component of Its Temporary Liquidity Guarantee Program

United States: Federal Deposit Insurance Corporation (FDIC)

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Press Releases

FDIC Extends the Debt Guarantee Component of Its Temporary Liquidity Guarantee Program

FOR IMMEDIATE RELEASE
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The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today voted to extend the debt guarantee portion of the Temporary Liquidity Guarantee Program (TLGP) from June 30, 2009 through October 31, 2009, and to impose a surcharge on debt issued with a maturity of one-year or more beginning in the second quarter to gradually phase-out the program.

"The TLGP has been effective in improving short-term and intermediate-term funding for banking organizations, but liquidity in the financial markets has not returned to pre-crisis levels," said FDIC Chairman Sheila C. Bair. "The extension will reduce the potential for market disruption when the TLGP ends and should provide a gradual phase-out period as institutions return to reliance on the private, non-guaranteed debt markets."

With the extension, all insured depository institutions and those additional participants, such as holding companies, that have actively participated in the debt guarantee portion of the TLGP (by issuing guaranteed debt before April 1, 2009) may continue to issue guaranteed debt through October 31, 2009, without application. The guarantee on debt issued before April 1, 2009, will expire no later than June 30, 2012. The guarantee on debt issued on or after April 1, 2009, will expire no later than December 31, 2012.

Participants that are not insured depository institutions and that have not issued FDIC-guaranteed debt before April 1, 2009 must apply by June 30, 2009, if they wish to issue guaranteed debt after that date. If the application is approved, the guarantee on debt issued on or after April 1, 2009, will expire no later than December 31, 2012.

The Board of Directors also voted to impose surcharges on guaranteed debt that has a maturity of one year or more and is issued on or after April 1, 2009. For guaranteed debt that is issued by June 30, 2009, and matures by June 30, 2012, the surcharge will be 10 basis points (on an annualized basis) for an insured depository institution and 20 basis points (on an annualized basis) for all others. For all other guaranteed debt that utilizes the extension (either through a maturity after June 30, 2012, or through issuance after June 30, 2009), the surcharge will be 25 basis points (annualized) for an insured depository institution and 50 basis points (annualized) for all others.

Surcharges will be in addition to current fees for guaranteed debt and deposited into the Deposit Insurance Fund (DIF) instead of being set aside to cover potential TLG program losses.

"The surcharges recognize that a relatively small portion of the industry is actively using the debt guarantee, but all insured depository institutions ultimately bear the risks associated with this program," noted Chairman Bair. "Putting the surcharges in the DIF will bolster the reserves that support our regular insurance program. Surcharge revenues collected in the second quarter, combined with Congressional action to increase our borrowing authority, should enable the FDIC to meaningfully reduce the 20 basis point special assessment proposed by the board on February 27th." noted Chairman Bair.

The TLGP, which the FDIC created in October 2008, is part of a coordinated effort by the FDIC, the U.S. Department of the Treasury, and the Federal Reserve to remedy unprecedented disruptions in credit markets and the resultant inability of financial institutions to fund themselves and make loans to creditworthy borrowers.

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Attachment: [Board Meeting Documents](#)

Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's 8,305 banks and savings associations and it promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars – insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). **PR-41-2009**

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