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# Congress Raises FDIC Limits

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WASHINGTON -- Congress on Tuesday signed off on allowing the Federal Deposit Insurance Corp. to borrow as much as $100 billion from the Treasury Department and extending the agency's new deposit-insurance limit of $250,000 through 2013.

While the move increases the FDIC's potential liability, the agency's enhanced financial maneuverability is expected to help quell fears about the rising cost of bank failures, which have drained the agency's fund. The decision to prolong the higher insurance cap also reflects how many of the emergency measures taken as the financial crisis swelled last fall are starting to become longer-term fixtures.

The House of Representatives voted 367-54 for a bill containing the latest steps on Tuesday, and the Senate quickly followed suit. President Barack Obama is expected to sign the legislation into law in coming days.

The measure is meant to boost confidence in the FDIC's dwindling deposit-insurance fund, which after a string of 25 bank failures at the end of 2008 fell to just $19 billion from $52.4 billion at the end of 2007. Thirty-three banks have failed so far in 2009.

The legislation also keeps in place the $250,000 insurance limit created last year when depositors were pulling funds from banks across the country due to fears about the solvency of U.S. financial institutions. The higher limit was set to expire at the end of 2009 and fall back to $100,000 for depositors in most cases.

The bill addresses a range of other issues as well. It would make it easier for borrowers to qualify for federal foreclosure-prevention programs, give loan servicers more protection from investor lawsuits once mortgages are modified, and provide the Government Accountability Office with more powers to investigate the way the Treasury and Federal Reserve use funds from the Troubled Asset Relief Program set up in October to buoy the financial sector.

FDIC Chairman Sheila Bair pushed for months for the enhanced borrowing authority, which had been capped for years at $30 billion. Her requests received little attention on Capitol Hill until she unveiled a plan in February to assess more than 8,000 banks with a one-time fee to bulk up the deposit-insurance fund. Community bankers immediately lobbied Congress to boost the FDIC's borrowing authority so they wouldn't be hit so hard.

House Financial Services Committee Chairman Barney Frank (D., Mass.) said the bill was "very important to those smaller financial institutions that are the lifeblood of our communities and which have been unfairly tarnished in this most recent debate over financial institutions."

Ms. Bair said she would reduce the assessment if Congress passes the law, and she is expected to announce a plan to cut the proposed levy on Friday. FDIC officials have said the enhanced borrowing authority would give them more "breathing room," though they haven't said whether they expect to need it.

The legislation also allows the FDIC to borrow as much as $500 billion from the Treasury until the end of 2010, as long as the FDIC has the consent of the Treasury and the Fed.

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