FDIC Boosts 2010 Budget, Staff as Bank Failures Rise

By Alison Vekshin

Dec. 15 (Bloomberg) -- The Federal Deposit Insurance Corp., overseeing the dissolution of failed banks at the fastest pace in 17 years, today boosted its 2010 budget 56 percent to $4 billion to manage further shutdowns.

The total budget will increase from $2.6 billion and the budget for handling bank failures doubles to $2.5 billion from $1.3 billion this year, according to a budget proposal the FDIC board approved in Washington. The agency staff will increase to 8,653 next year from 7,010 for this year.

The budget "will ensure that we are prepared to handle an ever-larger number of bank failures next year, if that becomes necessary, and to provide regulatory oversight for an even larger number of troubled institutions," FDIC Chairman Sheila Bair said in a statement.

Bank failures have climbed to 133 this year, the most since 1992, as soured commercial-real estate loans and mortgage defaults hobbled U.S. lenders. The agency has hired staff to handle the surge, which pushed the deposit insurance fund to an $8.2 billion deficit in the third quarter.

The additional 1,643 FDIC staff will include 1,559 temporary workers and 84 permanent employees, with a majority of positions added to the division that handles bank failures.

"What we're dealing with here, in effect, is an emergency response to the crisis," FDIC Vice Chairman Martin Gruenberg said during discussion about hiring of temporary staff scheduled next year.

Replenishing Fund

U.S. banks will pay more than $45 billion on Dec. 30 covering premiums through the next three years under an agency plan approved Nov. 12 to replenish the fund.

"Our operating budget does not come from taxpayers," Bair said during the meeting. "We are completely self-funded in that regard."

The FDIC insures deposits at 8,099 institutions with $13.2 trillion in assets. The agency's insurance fund reimburses customers for deposits of as much as $250,000 when a bank fails.

The FDIC has 552 banks with $345.9 billion in assets on its confidential problem list as of Sept. 30, a 33 percent increase from 416 lenders with $299.8 billion in assets the previous quarter, the agency reported last month.

To contact the reporter on this story: Alison Vekshin in Washington at avekshin@bloomberg.net.

Last Updated: December 15, 2009 11:45 EST