



IS THE FDIC SETTING ITSELF UP TO FAIL? THE CHIEF OPERATOR OF THE FEDERAL DEPOSIT INSURANCE CORPORATION WARNS THAT IT MAY NOT BE ABLE TO COVER DEPOSITS

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The FDIC which was set up soon following the Great Depression in the 1930's by President Roosevelt was designed to give Americans confidence in the banking system and to help prevent a run on the banks in case of a situation similar to the one that occurred in 1929. We may be very close to that crisis now, and Sheila Bair, the head of the FDIC knows it. Recently, the insured limit on deposit accounts for insured banks was increased from \$100,000 to \$250,000 per account. Ms. Bair now believes that if there is a run on the banks, the FDIC will not have enough money to cover all of the accounts.

The FDIC was set up to instill confidence in the American people and prevent a run on the bank, as people know that they will not lose money as they are insured on their accounts in the case of bank failure. For a very long period of time, the limit that the FDIC insured was \$100,000. Then, due to the fall of some major banks, and the mortgage crisis, the insured value was increased to \$250,000. The new numbers that have been calculated suggest that the FDIC cannot actually insure that amount on each account, and it very well be necessary considering that the largest bank in the United States is now trading at under \$2.00 per share. On March 2nd of this year, Bair wrote to bank executives that they will be increasing fees on banks and charging an emergency fee to the already in trouble banks. She stated that this is needed to insure investor confidence. Bair wrote that without these funds, "the deposit insurance fund could become insolvent this year." If that was to happen, major banks would surely fail, and our country may officially enter a depression, possibly worse than the Great Depression of the 1930s. The FDIC lost around fifteen billion dollars in the fourth quarter of 2008 and has set aside approximately twenty billion dollars for bank failures in 2009. This will over double the fund's value, and with this additional money, the fund is valued at approximately \$39 Billion, but that may not be enough in the case of a run on the banks. Only time will tell, but our economy is clearly in its worst situation since the Great Depression. It seems as if our economy is heading towards an entire financial reset.