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# Merging the Bif and the Saif: Would a Merger Improve the Fund's Viability?

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Robert Oshinsky (https://papers.ssrn.com/sol3/cf\_dev/AbsByAuth.cfm?per\_id=184217)  
U.S. Federal Deposit Insurance Corporation (FDIC) - Division of Research and Statistics

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## Abstract

During the 1990s, the differences between BIF-insured and SAIF-insured institution have declined. Due to mergers, over one-third of the deposits insured by the Savings Association Insurance Fund (SAIF) are now being held by Bank Insurance Fund (BIF) member institutions. This paper examines the SAIF's ability to remain solvent using a Monte Carlo model, under various levels of industry concentration. It shows that industry consolidation has served to reduce the vulnerability of the SAIF, as several large BIF-memeber insitutions have increased their SAIF-insured holdings. Nontheless, the SAIF continues to be somewhat more vulnerable to insolvency risk than the BIF. The paper also examines a merger of the BIF and the SAIF. The results show that a larger, combined insurance fund would be less risky than either the BIF or the SAIF separately. In other words, both the BIF and the SAIF would benefit from a merger of the funds. In addition, the results show that probability of either the BIF or the SAIF becoming insolvent is significantly higher that the probability of a merger fund becoming insolvent.

JEL Classification: G2, N2

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