the standpoint of any one individual, the FDIC insures against loss of a known number of dollars that are currently available to the depositor. The pension guaranty fund would insure against loss of future dollars the number of which might not be presently determinable and the right to which would be contingent on survival to retirement and possibly on continuation of the current employment relationship to retirement. More important, the assets offsetting the deposit liabilities of a bank are in the possession of the bank (or else the bank would be insolvent), whereas the assets needed to liquidate the accrued benefits of a pension plan usually are not in the hands of the funding agency, at least in sufficient quantity. Thus, it may be said that the FDIC insures against loss of assets already in existence, while the guaranty fund would, in effect, provide protection against the loss of assets that never materialized (from the standpoint of the funding agency). The FDIC insures a reality, while the guaranty fund would underwrite a declaration of intention. There are types of insurance that provide protection against failure to perform (reference will be made to them later), but they are not a component of the bank deposit insurance program. To the extent that a guaranty fund would make good on benefit defaults arising out of investment losses, there would be a parallel to the FDIC program.[12]

The Federal Housing Administration administers 15 trust funds for the insuring of various types of mortgages. The oldest and largest of these is the mutual mortgage insurance fund, which insures residential mortgages. Detailed eligibility rules have been promulgated by the FHA and each application for insurance is carefully screened to determine whether it meets the minimum standards of acceptability. Among the factors taken into account are the applicant's income, assets, character, and motivation. All approved applicants pay the same premium, one-half of 1 percent of the mortgage (with the remaining balance being recomputed each year), but there is a provision for a refund of excess premiums upon final liquidation of the mortgage, the dividends varying with the risk classification in which the mortgage was originally placed. Defaults have been low and net claim payments well within the premium income, but, as with the FDIC, the system has not been subjected to the exigencies of a severe and prolonged depression.

There is a basic similarity between mortgage insurance and a pension guaranty fund in that both involve the ability and willingness of an individual or firm to make future payments. A major difference is that with mortgage insurance the obligation to pay is secured by an asset (the home, for example), while the employer's obligation to make payments to a pension plan is neither secured nor legally enforceable (except pursuant to the terms of a collective bargaining agreement). Sensitivity to economic conditions is another common attribute, but conclusive evidence on this point lies in the future.

Many States operate guaranty funds to insure payment of workmen's compensation benefits when the insurer or the employer, as a self-insurer, becomes insolvent. New York has a guaranty fund for

[12] The foregoing discussion is equally applicable to the Federal Savings and Loan Insurance Corporation.