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March 13, 2007

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429  
Re: Adjustment Guidelines

Dear Mr. Feldman:

U.S. Bancorp welcomes the opportunity to respond to the FDIC's request for comments on the proposed assessment rate adjustment guidelines for large institutions and insured foreign branches in risk category I.

Overall, we find the guidelines well reasoned, comprehensive and consistent with other assessment frameworks utilized by credit rating agencies and credit processes within many financial institutions. The framework is risk sensitive and takes into consideration many factors that are correlated with bank risk. We offer up several suggestions which we believe will improve the guidelines.

- When considering qualitative and mitigating profitability factors, we would suggest that you consider factors such as diversification from a business mix and a geographic perspective when considering the qualitative benefit of diversification of earnings. We suggest that the relative volatility of these earnings streams be considered along with the overall earnings volatility of the bank.
- When reviewing credit quality, we suggest that you also include a risk metric of net charge-offs to operating earnings (earnings before the provision for credit losses) as another factor. Certain types of retail businesses may have higher base charge-offs to average loan balances; but, this credit risk is adequately considered in pricing the product. Evaluating net charge-off relative to operating earnings will provide a better measure for evaluating this risk to operating earnings trade-off which is an important qualitative assessment in determining the overall risk profile.
- When considering adjustments to the base factor using the guidelines, we would recommend that the adjustment be based on the unadjusted base factor. The application of the floor on the base factor before considering the adjustment factors may result in a loss of risk ranking of banks in the peer group.

We appreciate the opportunity to respond and believe these considerations will improve the proposed assessment guidelines.

Sincerely,

A handwritten signature in black ink, appearing to be "A. Cecere", is written below the word "Sincerely,".