THE DELAWARE BANKERS ASSOCIATION

8 W. LOOCKERMAN STREET * SUITE 200 * P.O. BOX 781 * DOVER, DE 19903-0781
(302) 678-8600 * FAX (302) 678-5511 * www.debankers.com

October 31, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429
Attention: Comments – RIN No. 3064-AD35

RE: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking and Request for Comment - Deposit Insurance Assessments; RIN No. 3064-AD35

Gentlemen:

The Federal Deposit Insurance Corporation (FDIC) has issued a notice of proposed rulemaking (the Rule) with respect to deposit insurance assessments. This letter sets forth the comments of the Delaware Bankers Association with respect to the Rule. We appreciate the opportunity to address this important issue.

Deposit insurance, provided through the FDIC's Deposit Insurance Fund (DIF) is a significant consumer protection critical to the financial system. The proposed insurance assessment plan is an important and necessary step to ensure that the fund returns to its statutorily prescribed level. However, during this period of remarkable financial market turmoil, this should be done in a manner that reflects these conditions.

Continued uncertainty in global financial markets and the Federal Government's unprecedented efforts to address the crisis have created significant policy issues not considered within the Rule. The Emergency Economic Stabilization Act signed into law on October 3 raised deposit insurance levels to $250,000. Congress, while authorizing such coverage, specifically excluded the increase in coverage from the calculation of the DIF ratio signaling its preference to avoid an additional insurance premium increase. Furthermore, on October 14, the FDIC, the Treasury and the Federal Reserve, in consultation with the President, invoked its systemic risk authority and extended deposit insurance coverage to all non-interest bearing transaction deposit accounts while also leaving this increased coverage out of DIF ratio.

The actions cited above will expire on December 31, 2009, suggesting a comprehensive review of the nation's deposit insurance system will occur next year. The new Congress and Administration will determine whether such programs will expire or become a permanent part of the deposit insurance system. Any significant change to the assessment system should occur in concert with a full review of these issues.

Secondly, the FDIC should extend the timeframe to rebuild the DIF. Under extraordinary circumstances, the FDIC may extend the DIF restoration period beyond five years. Considering that the FDIC has already cited its statutory authority to prevent systemic risk in its earlier actions, and the Federal Reserve and Treasury have taken steps reserved for extraordinary circumstances, it is only fitting that the FDIC use this opportunity to extend the period for DIF restoration.

By extending the restoration plan from five to at least ten years, the FDIC would ensure that new fees charged to already struggling institutions would remain reasonable. The FDIC would, though more slowly, begin to rebuild the DIF. Policymakers would have greater time and flexibility to vet the future structure and coverage of the system.

The proposed rule, as drafted, effectively penalizes the use of FHLBank advances which could result in three possible undesirable outcomes for depository institutions:

- Operating costs may go up as a result of increased premiums;

- Institutions may increase focus on less stable retail deposits which will increase the cost of funds for all institutions operating in those markets; and/or

- Institutions may decrease lending in their communities, which is counter to efforts to get capital flowing in the economy. Anything that weakens the economic environment will increase pressure on all depository institutions.

The FDIC should not assess a penalty on healthy institutions that prudently employ FHLBank advances. Advances are a critical and stable source of liquidity and liquidity risk is the most significant challenge facing the banking industry at this time.

In light of these factors, the FDIC should suspend implementation of the new risk-based premiums and amend the current proposal to extend the DIF restoration period.

The Delaware Bankers Association represents over 30 financial institutions with more than 400 billion dollars in assets and approximately 26,000 employees in the State of Delaware.

Thank you for consideration of our views.

Sincerely,

David G. Bakerian

David G. Bakerian
President and CEO
Delaware Bankers Association