

November 12, 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 Third Federal Bank 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 the 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.

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.

Thank you for consideration of our views.

Sincerely,

