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To: Comments
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Comments on the proposed amendment of the FDIC Temporary Liquidity Guarantee Program to extend the Transaction Account Guarantee (TAG) Program.

We are a small business and a depositor in a non-interest bearing transaction account at a TAG participating Insured Depository Institution (bank). We are keenly aware of the vital role played by the TAG in keeping the wheels of commerce and business turning. At a time when a substantial level of uncertainty clouds our banks (some 45 banks have already been closed by the FDIC so far this year), the very presence of the FDIC Transaction Account Guarantee has been instrumental in retaining our customers and business activities. The fact that our transaction account is guaranteed by the FDIC instills a degree of confidence so essential to sustainable business practice.

We are grateful for the opportunity to submit our comments over the Transaction Account Guarantee Program. We present our comments in the format requested by the FDIC.

A – Should the TAG be extended beyond the end of 2009 and for what period?

We understand the temporary nature of the TAG. At the same time we commend the FDIC for wanting to have an orderly phase-out. We are in favor of an extension of the TAG beyond the December 31, 2009 deadline because we are still in the midst of the worse economic crisis since the Great Depression.

We favor a full year extension of the TAG for the following reasons:

- The recession will most likely extend well into 2010 with the unemployment rate exceeding 10%. Banks are particularly sensitive to growing unemployment because it correlates with higher default rates for credit cards, consumer loans and mortgages. This in turns increases the amount of troubled assets held by the banks and impairs their reliability.
- The appetite for additional TARP funds for banks has now waned. The only thing which will keep banks and depository institutions functioning as facilitators for commerce and business in 2010 will be the FDIC guarantee.
- The FDIC fee is based on the full year (annualized rate). It seems therefore normal that the guarantee should be for the full 2010 year.

B – Should the NOW accounts interest cap be brought in line with the federal funds rate?

Our own transaction account is non-interest bearing. We understand that the cap on interest rate for NOW accounts is meant to avoid having stealth savings accounts benefiting from the TAG. In this case, it makes sense to keep the interest cap in line with the federal funds rate (currently at 0.25%). This being said, it would be fair to apply this rollback only for the TAG extended period beyond the end of 2009. In any event, no one really knows what the federal funds rate will be at the end of 2009.

C – Should the TAG fees be raised for the extended period?

As a depositor we appreciate the vital role played by the TAG in preserving a functioning environment for commerce. As such, the TAG does not need to be subsidized as its value is readily apparent to any bank of a certain size. All we can say is that should our bank decline to participate in the extension of the TAG, then we would change for a bank which does participate. Our customers would demand it.

D –What notifications should Insured Depository Institutions (IDI) make for an orderly phase-out of the TAG?

Under existing regulations banks were supposed to post a notice in their branches and on their website indicating whether they were participating in the TAG. We were unable to locate such a notice from our bank. We had to lookup the Opt-Out-List posted on the FDIC website to verify that our bank was not on it, and therefore that it participated in the TAG.

Consequently, we propose that by November 15, 2009 all banks and IDI's currently participating in the TAG send a notice to each TAG covered account customer in order to inform customers directly whether the bank will continue participating in the TAG for 2010 or will terminate its participation at the end of 2009. Such a notification would ensure that no one is taken by surprise over the two step phase-out of the TAG.

We regularly receive promotional material from our bank. Slipping such a notification in promotional material will not add much of a burden or cost to any IDI or to any bank.

We hope that you find our comments helpful and remain,

Yours faithfully,

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