**From:** Mike Rossi [mailto:mike.rossi@nexbank.com]
**Sent:** Thursday, July 02, 2009 4:31 PM
**To:** Comments
**Subject:** RIN 3064-AD37 Transaction Account Guarantee Program

Good Afternoon,

The Management and Board of Directors of NexBank appreciate the ability to comment on the extension of the FDIC Transaction Account Guarantee ("TAG") Program.

***In summary, we strongly support the TAG program, and hope that the FDIC extends this program until the economy and capital markets show consistent evidence of recovery.***

The TAG program has enabled smaller banks to compete on a level playing field with the large, systemically-important institutions which have proven to be too big to fail ("TBTF"). Many of these TBTF institutions, while potentially weakened from a capital & asset quality standpoint, are still somehow able to attract billions of dollars of non interest-bearing deposits. Further, this tidal wave of deposit inflows has enabled the TBTF banks to significantly lower their deposit rates on interest-bearing accounts. Ordinarily, it would seem fundamentally unlikely that weakened institutions could attract deposits so easily. But the public is so confident that the Government will not allow these institutions to fail, that they have shifted deposits to these banks without regard to their capital adequacy. Accordingly, these institutions are essentially able to offer fully-insured deposits due to their status as being too big to fail.

*The TAG program enables smaller banks to compete with larger institutions for larger accounts which would otherwise exceed the FDIC's $250,000 insured limit.*

To address the FDIC's specific requests for comment:

1. Is a six month extension appropriate? No, we suggest that the program be extended until at least December 31, 2010, and then reevaluated at that time. A six month extension, during continued period of economic uncertainty, could cause an exodus of deposits from smaller institutions who have utilized TAG to attract & retain this crucial funding source.
2. Should the FDIC reduce the interest rate that can be paid on TAG-eligible NOW accounts? No. The current maximum rate of .50% further enables smaller institutions to retain large dollars which would otherwise shift to larger institutions.
3. Is the increase from 10 to 25 bps appropriate? Obviously, the lower the fee the better. However, if 10 bps hasn't been adequate to insure the Deposit Insurance Fund against TAG-related losses, a modest increase would be tolerable. Perhaps something in the 15 bps range would be more appropriate. However, a significant increase in the TAG fee will further widen the discrepancy between what the smaller banks must pay in deposit costs and the virtually non-existent deposit costs of the systemically-important institutions.

Again, we sincerely appreciate the ability to comment on this important rule. The measures taken by the FDIC to broadly insure deposits has certainly been important in helping the economy work its way through this recession. And, the lending activity of smaller banks has similarly had a positive impact on the economic recovery. Accordingly, we hope FDIC strongly considers extending this program at a reasonable cost to participating banks.

Thank you,

Mike Rossi

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