OREGON BANKERS ASSOCIATION
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July 30, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Attn: Comments - **Sent Via Electronic Delivery**

RE: RIN 3064-AD37 – Notice of Proposed Rulemaking Regarding Possible Amendments to the Temporary Liquidity Guarantee Program to Extend the Transaction Account Guarantee Program with a Modified Fee Structure; 12 CFR Part 370; 74 Federal Register 31217, June 30, 2009

Dear Mr. Feldman,

On behalf of the Oregon Bankers Association and its membership of Oregon's state and national banks, we appreciate the opportunity to comment on the proposal aimed at phasing out the Transaction Account Guarantee Program. This program has been very beneficial to many Oregon banks by providing a boost in depositor confidence at a time of economic uncertainty and customer confusion about the overall health and stability of the financial services industry. Many of the Oregon Bankers Association's member banks view this program as the single most effective step taken to stem the flow of funds out of community banks.

For that reason, we strongly support extending the Transaction Account Guarantee Program. While the second alternative presented by the FDIC proposes to extend the program until June 30, 2010, we believe it is prudent to extend the program for an additional 12 months to December 31, 2010, allowing banks to opt out if they do not wish to participate.

Economic conditions in the Pacific Northwest will likely remain significantly challenged at least through 2010, and the Transaction Account Guarantee Program remains an essential program for maintaining depositor confidence during this period of uncertainty. The economic conditions that existed at the time the program was enacted continue to impact customer confidence and behavior, especially in community banks that are more susceptible to a "flight to safety" response. In Oregon, for example, our unemployment remains above 12 percent, the third highest rate in the nation. Ending the program December 31, 2009, or even June 30, 2010, is too soon and would bring market volatility and provoke liquidity issues on many bank balance sheets. The potential impacts range from a bank's lending

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capacity to its profitability, ultimately impacting not only the bank, but the economic health of the communities it serves.

We recognize the necessity of identifying a timeline and process for phasing out the program, but a premature termination of the program will be extremely disruptive to the markets, to the banking industry, and to the businesses, communities and public entities served by our industry.

With regard to cost, while we understand the principle of charging fees sufficient to cover the cost incurred by the program, we believe raising the cost to participate in the program to 25 basis points is too high when viewed in combination with the regular quarterly risk-based assessment and the special assessment charged this year. This program remains necessary – at least in our region – for consumer confidence, yet many banks have said it would be very difficult to participate if the fees were increased by such a substantial amount. Moreover, the potential costs associated with increasing the likelihood of bank failures would result in a much higher cost to the program and to the deposit insurance fund. As several Oregon bank CEOs have suggested, "The outflow of Money Market accounts that are not guaranteed to larger 'failure proof' institutions and the increased demand for CDARS products are both demonstrations of public uncertainty and risk aversion."

Lastly, we do not support adjusting the rate ceiling for covered NOW accounts. While it is true that rates have dropped since the program was introduced, adjusting the rate ceiling for a temporary period of time is confusing, disruptive and has the potential of requiring banks to work out new arrangements with their customers for what is a temporary program. If the FDIC does opt to lower the ceiling, however, then we strongly encourage indexing to recognize the possibility of a rise in short-term interest rates while the program remains in place.

We recognize that there are diverse views of the Transaction Account Guarantee Program among banks across the country, but the stability and confidence brought about by this program remains vital in our state and in many other parts of the country. We look forward to the time when economic conditions improve and turmoil subsides, allowing an orderly phase out of this and other temporary programs, but to do so prematurely would only increase turmoil and intensify challenges in credit availability and community stability.

Very best regards,

Linda W. Navarro
President & CEO
Oregon Bankers Association &
Independent Community Banks of Oregon