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Five Star Service Guaranteed

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Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attention: Comments
550 17th Street, N.W.
Washington, DC 20429

July 30, 2009

Re: RIN # 3064-AD37: Notice of Proposed Rulemaking regarding Possible Amendment of the Temporary Liquidity Guarantee Program to Extend the Transaction Account Guarantee Program with Modified Fee Structure ("Proposed Rule")

Dear Mr. Feldman:

U.S. Bancorp, with $266 billion in total assets and holding company of U.S. Bank, the sixth largest commercial bank in the United States, appreciates the opportunity to comment on the recent proposed amendments regarding the extension of the Transaction Account Guarantee Program ("TAG Program") within the Temporary Liquidity Guarantee Program ("TLGP").

U.S. Bancorp supports the efforts of the FDIC Board Members and Staff to return stability to the credit markets and enhance liquidity for financial institutions, but has concerns with some of the elements of the Proposed Rule. Our principal comments follow:

1. We are supportive of the extension of the program to June 30, 2010, but suggest a declaration that this will be the last extension of the TAG Program. Banks and their customers have had well over two years to readjust their balance sheets, deposit relationships and funding activities, and should be prepared to move away from unlimited deposit insurance. Both the banking industry and the FDIC would be well served by minimizing guarantees in excess of those required to maintain liquidity; reducing the significant expenses associated with excess FDIC guarantees; and migrating the entire system toward primarily non-insured liabilities.
2. U.S. Bancorp believes the FDIC should eliminate the unlimited insurance for NOW accounts and provide unlimited insurance coverage to non-interest bearing accounts only. The current interest rate environment is extremely low with the Federal Reserve's Target Federal Funds rate between 0 and 25 basis points, and rates are expected to remain low for the foreseeable future. Therefore, we suggest it is

irrelevant to include NOW accounts in a guarantee program when short-term interest rates paid on those NOW accounts are not meaningfully above a non-interest bearing account. Additionally, both customers and banks are impacted by the complexity of customer communication surrounding NOW guarantees subject to low interest rates and a variety of other FDIC exceptions. In addition, the TLGP allows banks to issue FDIC guaranteed interest bearing debt. Limiting the TAGP Program to non-interest bearing accounts together with the TLGP allows both non-interest bearing and interest bearing options for banks and investors alike.

3. Finally, U.S. Bancorp believes the fees assessed on the banks for the TAG Program should vary based on the Risk Category assigned to each institution by the FDIC. Increasing the general assessment from 10 basis points to 25 basis points for all participating institutions penalizes institutions that do not necessarily need an extension of this program; it is also a large percentage increase. Under a tiered fee structure approach, the FDIC would align the costs of the program with those banks that are relying on the guarantee. It is also is consistent with the general assessment fee structure that the FDIC employs for all of its insured depository institutions. Our proposal would be as follows:
    - Risk Category I 10 basis points
    - Risk Category II 20 basis points
    - Risk Category III 35 basis points
    - Risk Category IV 50 basis points

We appreciate the opportunity to submit our views and would be pleased to discuss our comments with you at your convenience. Please contact me at (612) 303-4159 with questions or if you need additional information.

Sincerely,

Kenneth D. Nelson
Executive Vice President and Treasurer