TENNESSEE BANKERS ASSOCIATION Service Since 1890™

March 27, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Via e-mail: comments@fdic.gov

Re: Assessments, RIN 3064-AD35

Dear Mr. Feldman

On behalf of the Tennessee Bankers Association and its members, I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points in the second quarter.

The TBA has serious concerns about this proposal, however, I want to emphasize, on behalf of our members, that we fully support the view of the FDIC that we need a strong, financial secure fund in order to maintain the confidence depositors have in the system. How a strong, financial secure fund is achieved is very important to our members.

The special assessment is a significant and unexpected cost that will devastate earnings for many banks in Tennessee. Our banks are already dealing with a deepening recession, accounting rules that overstate economic losses and unfairly reduce capital, regulatory pressure to classify assets that continue to perform, and a significant increase in regular quarterly FDIC premiums. Each of these is a big challenge on its own – but collectively, they are heavy blow to the industry.

Banks that have served their communities in a responsible way for years are being unfairly penalized. The cost of the special assessment is so high that it is a disincentive to raise new deposits. Fewer deposits will hinder banks ability to lend. Further, the reduction in earnings will make it harder to build capital when it is needed the most.

The implications for this significant FDIC assessment will impact every corner of our state. Given the impact that the proposed assessment will have on our member banks, the

TBA strongly urges you to consider alternatives that would reduce the burden and provide the FDIC the funding its needs in the short term.

Please consider more reasonable funding options, such as;

- Reduce the special assessment and spread the cost of it over a long period of time. The FDIC should spread out the recapitalization of the fund over a longer timeframe as well;
- Use a convertible debt option, whereby the FDIC could convert debt borrowed from the banking industry into capital to offset losses if it needs the funds. This would allow me to write off the expense only when the funds are actually needed;
- Use the FDIC's borrowing authority with Treasury if the fund needs resources in the short-run. This is the purpose of this fund and it remains an obligation of the banking industry. Moreover, it allows any cost to be spread over a long period of time; and
- Use the revenue that the FDIC is collecting from the Temporary Liquidity Guarantee Program. There is considerable revenue from those banks that are issuing guaranteed debt to help support the FDIC at this critical time.

Making these modifications will ensure that the fund remains secure and will allow our banks to continue to lend in their communities. The Tennessee Bankers Association urges you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

Thank you for your consideration.

With best regards, I am,

Sincerely yours,

Timothy L. Amos
Senior Vice President and General Counsel