To: Comments
Subject: RIN 3064-AD37

RE: Proposed Rulemaking Comment - Transaction Account Guarantee Program

Security Bank of Kansas City favors "Alternative B" which extends the Transaction Account Guarantee (TAG) program for an additional six months until June 30, 2010. The projected cost of providing guarantees for noninterest-bearing transaction accounts at failed financial institutions exceeding the program revenues simply reinforces the uncertainty that remains in the financial industry and the economy. Continuing the TAG program is immensely important to maintaining consumer and investor confidence in the banking industry. Alternative B is also offering flexibility to the insured financial institutions that are currently participating in the program to "opt out" of the proposed extension period if they choose to do so.

In addition to making the above recommendation, Security Bank of Kansas City will comment on the following three questions:

1) If the TAG program is extended, is six months an appropriate time for the extension? If not, what would be considered an appropriate extension period for the TAG program? Please provide reasons to support your comment.

Response: The Federal Reserve Bank expects strains in the credit markets and in the banking system to ebb slowly during the remainder of 2009 and the pace of economic recovery will continue to be damped in 2010. Strong adverse economic forces are likely to only abate moderately, thus resulting in a gradual recovery. Based on the FRB's economic projections, it may be best to consider an extension period of one (1) year for the TAG program.

2) When the TAG program was modified to include an FDIC-guarantee for NOW accounts, the FDIC's guarantee extended only to those NOW accounts with interest rates no higher than 0.50 percent. The interest rate limitation placed on such accounts was comparable to the average effective federal funds rates and significantly below the one month CD rates and money market fund rates. The NOW interest rate limitation for purposes of the TAG program is now almost three times the federal funds rate, double the one month CD rate, and comparable to the average money market deposit account rate. Should the FDIC reduce the maximum interest rate for NOW accounts that qualify for the FDIC's guarantee under the TAG program? For example, would placing an interest rate limit on NOW accounts of no higher than 0.25 percent be appropriate? If not, what would be considered an appropriate interest rate limitation for NOW accounts? Please provide reasons to support your comment.

Response: The FDIC should not reduce the maximum interest rate for NOW accounts. Changing this rate will only add further confusion to the present guarantees available under the TAG program. This change will also require additional and costly notifications to existing customers.

3) In order to balance the income generated from TAG fees with potential losses associated with the TAG program, during the extension period the FDIC has proposed to charge an annualized rate of 25 basis points (rather than the current 10 basis points) on deposits in noninterest-bearing transaction accounts. Is this increase in fees appropriate? If not, what fee should be charged by the FDIC to cover potential losses caused by an extension of the TAG program? Please provide reasons to support your comment.

Response: The proposed 25 basis points is a 250 percent increase in the fee. This is at a time when the banking industry as a whole is experiencing difficult financial challenges. The FDIC's Treasury borrowing authority recently increased from $30 billion to $100 billion and the upcoming special assessment (with the authority for additional assessments) should help mitigate losses associated with the TAG program. We recommend the proposed fee of 10 or 15 basis points be considered.

Security Bank of Kansas City
Kansas City, KS 66101