September 10, 2010

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Dodd-Frank Act and Deposit Insurance Reform

Dear Chairman Bair:

As you are aware, Section 331(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires the FDIC to amend its regulations under section 7(b)(2) of the Federal Deposit Insurance Act to define the term “assessment base” with respect to an insured depository institution, as an amount equal to (1) the average consolidated total assets of the insured depository institution during the assessment period, minus (2) the average tangible equity of the insured depository institution during the assessment period.

The Independent Community Bankers of America[1] (ICBA) estimates that this change in the way the assessment base is calculated when combined with other changes that we expect the FDIC to make to its base assessment rates will save community banks over $4 billion in total assessments during the first three years of its implementation. A typical community bank with $1 billion in assets could save up to $500,000 a year in assessments once the change becomes effective.

It is therefore important that this regulatory change be implemented as soon as possible and that it be made retroactive to the date the Dodd-Frank Act was enacted, or July 21, 2010, so that community banks can benefit from the change beginning on the date the bill became effective. While we realize the FDIC is planning to issue regulations this fall that would implement this change as well as changes to the assessment rates, we urge the FDIC to make the assessment base change and the rate changes retroactive so that community banks can lower their assessments costs for the third or fourth quarters of 2010 and use the savings to

[1] The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA’s website at www.icba.org.

INDEPENDENT COMMUNITY BANKERS of AMERICA *The Nation’s Voice for Community Banks®*
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bolster their capital positions and to lend money to the communities they serve. Otherwise, if the changes are made effective once the regulations are finalized (which could be as late as the beginning of next year), community banks will end up paying hundreds of millions of dollars in additional assessments for 2010.

ICBA believes the intent of the Dodd Frank Act was to make the assessment change effective as of the date of law's enactment even if regulations are finalized months after the enactment date. Provided that final regulations are issued prior to October 30, 2010 implementing the change, banks should be able to reflect the changes to their assessment expense in their third quarter call reports and, in the case of publicly held banks, in their disclosures to the SEC.

Since it is anticipated that many community banks will be expensing lower quarterly assessments once the assessment base is changed, and therefore will likely have sizable "credits" resulting from unused assessments that were prepaid in the fourth quarter of 2009, **ICBA urges the FDIC to consider returning all unused prepaid assessment amounts prior to June 30, 2013**.[2] We suggest that there be two "rebate" periods—one soon after next year or by March 31, 2012, and the other soon after the following year or by June 30, 2013.

Rebating these credits earlier will provide additional capital and liquidity to many community banks, some of whom are struggling to rebuild capital reserves and find the necessary funding to make loans to their communities. Provided that the liquidity needs of the Deposit Insurance Fund decrease next year as the economy improves and there are fewer bank resolutions, ICBA believes the FDIC should be able to make its first rebate of these unused credits by March 31, 2012. This additional rebate could play an important part in improving the economic condition of many community banks and the communities they serve.

In summary, ICBA strongly urges that the changes to the assessment base be implemented as soon as possible and that it be made retroactive to the date the Dodd-Frank Act was enacted, or July 21, 2010, so that community banks can benefit from the change beginning on the date the bill became effective. We also urge the FDIC to consider an earlier rebate period—by March 31, 2012-- for those unused assessments that were prepaid in 2009. This should help boost small business and consumer lending at an earlier date and will provide significant capital and liquidity to many community banks.

ICBA looks forward to working with the FDIC as it implements the numerous changes that are mandated by the Dodd-Frank Act including those that impact the deposit insurance system.

Sincerely,

Camden R. Fine

Camden R. Fine
President and CEO

cc: The Honorable Martin J. Gruenberg
The Honorable Thomas C. Curry
The Honorable John E. Bowman
The Honorable John Walsh

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[2] Current FDIC regulations permit the FDIC, in its discretion, to return the remaining unused prepaid assessments earlier than June 30, 2013 if the liquidity needs of the DIF allow an earlier return.