WISCONSIN BANKERS ASSOCIATION

November 13, 2008

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

RE: RIN #3064-AD37
Interim Rule on Temporary Liquidity Guarantee Program

Dear Mr. Feldman:

The Wisconsin Bankers Association (WBA) is the largest financial trade association in Wisconsin, representing approximately 300 state and nationally chartered banks, savings and loan associations and savings banks located in communities throughout the state. WBA particularly appreciates the opportunity to comment on the FDIC's interim rule regarding its Temporary Liquidity Guarantee Program (TLG Program).

WBA and its members greatly appreciate and support the efforts of FDIC and other government agencies to develop programs like the TLG Program that provide financial institutions with important access to liquidity sources to further stabilize the credit markets. WBA supports the FDIC's use of its authorities under the Federal Deposit Insurance Corporation Improvement Act of 1991 to create the TLG Program and this interim rule in light of the systemic risk noted by government agencies and the Secretary of the Treasury affecting the financial system today. The decisive actions taken by Congress, Treasury, FDIC and others to stabilize the credit markets have been necessary to preserve the nation's confidence in its financial institutions and in the American and global economy. While WBA is in general support of the TLG Program rules, WBA respectfully requests certain modifications be made to the rules to make participation in the two components of the TLG Program attractive.

<u>Assessments under the TLG Program</u>

Wisconsin's financial institutions are interested in participating in the various initiatives currently proposed to help reduce any disruption in the national credit markets and help restore the public's confidence in the national system as a whole. While Wisconsin has not seen any financial institutions fail, we recognize the global effect current conditions have and we are not immune from those concerns.

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Consequently, many of our financial institutions would like to participate in one or both components of the TLG Program; however, we believe the fees associated with both programs are unnecessarily high. WBA understands and agrees with the requirement to impose special assessments on participating institutions in the TLG Program above and beyond the normal assessments for FDIC insurance premiums. However, the 75 basis points fee for institutions participating in the Debt Guarantee Program and the 10 basis points fee for institutions participating in the Transaction Account Guarantee Program seem arbitrary and excessive. To accomplish the purposes of the TLG Program, both assessments must be lowered.

Specifically with regard to the Debt Guarantee Program, the 75 basis points premium is excessive in relationship to the current level of Fed Funds market rates available. Banks will be forced to either increase rates they charge for loans, which will only foster continued disruption in the credit markets, or the additional borrowing costs will be absorbed in the net interest margin of the bank, thereby eroding earnings and liquidity. Neither of these effects of the unnecessarily high assessment is desirable. WBA suggests FDIC consider either a flat rate of 25 basis points or a rate that is indexed to the targeted fed funds rate. Another alternative may be to segregate fed funds from other debt into their own "category" and only assess a 10 basis points fee on those funds.

With regard to the Transaction Account Guarantee Program, WBA has heard from many of its member institutions that they believe they are "forced" into participating in this component of the TLG Program in light of the public list that FDIC plans to post identifying those institutions that are not participating in the TLG Program. WBA couldn't agree more. As discussed in more detail below, publication of a list eliminates any meaningful choice regarding participation given the public stigma that will attach to an institution named on the list. This list, in essence, constitutes a de facto requirement to participate and incur the 10 basis points fee. As a result, institutions will incur an expense that is not only unanticipated but unnecessary.

In addition, the 10 basis points fee will be calculated off of not only bank customers' deposits that fit into the non-interest bearing transaction account definition, but it will also include much of the bank's own money in the form of accounts the bank has for general operating or other expense purposes, cashiers' checks and other official checks issued by the bank. The broad scope of accounts covered to include what are essentially the bank's own accounts further artificially and unnecessarily raises the cost for banks to participate in the TLG Program. WBA suggests FDIC consider either creating a special definition for noninterest bearing transaction accounts for purposes of the TLG Program to not include the bank's own accounts or to lower the premium to a 5 basis points fee.

Public Notice Disclosure Requirement

WBA is very concerned about the requirement in the interim rule that the FDIC will publish a list of the eligible entities that have opted out of either or both the Debt Guarantee Program and the Transaction Account Guarantee Program. While WBA understands that the motivation for the inclusion of such a requirement is to ensure that other creditors and the public are notified about whether an institution they are doing business with is participating in these programs, WBA believes that this same goal is accomplished by simply requiring the participating institutions to directly provide appropriate notices to the lenders they do business with and to their customers.

The negative effects of publishing such lists are tremendous and will only harm the goal of promoting public confidence in the banking system. Banks that have no interest in participating in the TLG Program for a variety of legitimate business reasons are weighing this public disclosure effect and the result is most of them, if not all, believe they are forced to participate and, therefore, forced to pay the unnecessary, excessive fees. Much analysis by others will be done as to why an institution chooses to participate, or why an institution chooses to not participate. Such analysis will not only be made easier by these third parties with the FDIC's publication of such a list, but it is also subject to great misinterpretation without input from the specific institution itself. WBA believes the better course of action is to require the institutions themselves to directly and appropriately communicate with their customers and other affected parties regarding the institution's choice to participate or not to participate in the components of the TLG Program.

Debt Guarantee Program

The interim rule provides that FDIC will temporarily guarantee newly issued unsubordinated debt in a total amount up to 125 percent of the par or face value of senior unsecured debt outstanding, excluding debt extended to affiliates, as of September 30, 2008, that is scheduled to mature on or before June 30, 2009. Given that September 30 is the end of a quarter, different institutions may have artificially high or low amounts of borrowings as of that date. WBA has been informed by many of its member institutions that had artificially low borrowings that night for various legitimate business reasons that they want to participate in this program but need some adjustment in the calculation of the 125 percent cap to make participation meaningful. For these institutions, their ability to draw the difference between their "normal" available line and the guaranteed cap amount is practically eliminated since preference, in the event of a failure, will be given to guaranteed borrowers. This unintended consequence again restricts an institution's access to available, normal liquidity sources which, in turn, limits an institutions' ability to meet the credit needs of its community.

Conclusion

WBA believes that the interim rule, with the modifications described above, will successfully accomplish the critical goals outlined by the FDIC causing the creation of the TLG Program. Once again, WBA appreciates the opportunity to comment on this very important proposal. Thank you.

Sincerely,

Kurt R. Bauer
President and CEO