November 12, 2008

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

RE: RIN #3064-AD37

Dear Mr. Feldman:

Thank you for giving us the opportunity to comment on the FDIC Temporary Liquidity Guarantee Program (TLGP) Interim Rule. We are one of 20 bankers' banks in the nation. In the aggregate, bankers' banks serve over 6,000 of the nation's community banks.

The Interim Rule indicates that TLGP is designed to preserve confidence and encourage liquidity in the banking system in order to ease lending to creditworthy businesses and consumers. We feel that the Guaranteed Debt program as presented may actually restrict liquidity. Please consider the following:

1. Establishing the 125% cap based on funding for one day (as of September 30, 2008) may not accurately reflect the historical needs of the borrower. Typically banks position themselves to show a favorable balance sheet at quarter end. They may reduce required balances at correspondents and use other methods to minimize unsecured liabilities on their balance sheet.

2. Additional emergency rescue measures simultaneously enacted to "jump-start" the banking industry such as the capital injection program and the Federal Reserve decision to pay interest on excess reserves at a rate comparable to the Fed Funds rate could potentially limit the Fed Funds market to those banks who cannot participate in the capital injection program by virtue of their creditworthiness. Larger national banks with large capital injections will have less incentive to enter the Fed Funds arena.

3. We understand that the purchasing bank is required to identify which purchased funds are guaranteed and which are not guaranteed each day. Most likely this will occur after the fact once the markets have closed. Banks that desire a 100% guarantee may elect to not enter the Fed Funds market at all, instead leaving excess funds in their Federal Reserve accounts. This removes liquidity from the system by reducing the number of sellers in the Fed Funds market. In addition, the cost of borrowing may reflect tiered pricing dependent upon whether or not the funds are guaranteed, thus affecting interest margins.

<u>Recommendations</u>

The arbitrary cap of 125% of Fed Funds as of a particular date is artificial and creates fee and disclosure difficulties. In today's marketplace, very few, if any, buyers of overnight funds provide a daily written acknowledgement of sale. The requirement to disclose in a real time method is unrealistic. If the 125% cap is utilized, most large fed funds purchasers will be unable to determine if the cap has been exceeded and to who until well after that day's business.

- Consider an "opt in/opt out" program guaranteeing ALL Fed Funds sales. An alternative suggestion would be to remove Fed Funds from the program entirely and NOT guarantee Fed Funds sales.

7700 Mineral Point Road, Madison, WI 53717-1694 · PO Box 2238, Madison, WI 53701-2238 · P (608) 833-5550 · F (608) 829-5590

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a. Banks already have due diligence and established credit guidelines in place to determine to whom they will sell overnight funds. Rates set by supply and demand have historically been the backbone of a free enterprise system. Institutions who cannot find a market for purchasing funds can access the Federal Reserve Discount Window as an alternative.
b. Either guaranteeing all or no funds would no longer necessitate daily disclosure to funds sellers. A bank that opts into the program is guaranteed at any level OR if funds are not guaranteed, no disclosure is necessary.

The 75 basis point fee is excessive as it relates to Fed Funds and will create hardship on community banks who typically buy funds to meet short term liquidity needs.

- Consider eliminating the fee, or at very least segregating Fed Funds, and establishing an alternative guarantee rate using the same assessment rate (10 basis points) established by the FDIC for insuring additional deposits in non-interest bearing transaction accounts.

We feel that consideration of the above options will encourage broader participation by banks of all sizes which speaks to the basic intent of the program by increasing and stabilizing interbank lending. Thank you for allowing us to comment.

Sincerely,

Ronald L. Slater
President & CEO