

ALABAMA  BANKERS
ASSOCIATION

Working for Alabama Banks

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Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Attention: Comments – RIN No. 3064-AD35

Re: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

On behalf of our members, the Alabama Bankers Association submits the following comments regarding the Federal Deposit Insurance Corporation's proposal to increase deposit insurance premiums and to levy even higher premiums in association with the use of secured liabilities.

We appreciate the opportunity to address the issues raised by this request for comment. These are extraordinary economic times, and it is important to make sure that sound policy choices are implemented.

The recent adoption of the \$700 billion rescue plan had one central theme: freeing up credit and preventing this country from suffering an economic shutdown. The goal was to make sure that the needs of Main Street were addressed along with those of Wall Street.

In these times, the FDIC should not disrupt the business practices of healthy institutions. Government officials and commentators agree that liquidity risk is the most significant challenge facing the banking industry today. It is vitally important not to harm the institutions that provide liquidity, which often are institutions so important to Main Street.

Advances from Federal Home Loan Banks are a vital source of liquidity for our members. FHLBank advances provide community banks with access to reliable and stable low-cost funding. For many banks, FHLBank advances are the lifeblood of their credit. They help community banks serve the credit needs of their communities, support homeownership, and assist local community development. Anything that would penalize the use of advances would thwart the efforts by the Treasury, Congress and the Federal Reserve to restore liquidity to the credit markets.

Certain provisions in the regulations would increase deposit insurance premiums and levy even higher premiums associated with the use of FHLBank advances. These proposed

increases would make lending money more expensive just at a time when the national goal is lower the cost of borrowing. It would be counterproductive, in this economic atmosphere, to make it harder for banks to function by raising their cost of doing business. Many institutions would extend less credit in their communities, which would harm those communities and the broader economy as a whole. We encourage you to carefully reexamine this proposal and withdraw the proposed higher premium on the use of FHLBank advances.

Instead of adopting this proposed rule, we believe the FDIC could better achieve its policy goals by taking these steps:

The FDIC should utilize its "extraordinary circumstances" authority to extend the time period to rebuild the FDIC fund from five to ten years. This will limit unnecessary stress on insured depository institutions.

The FDIC should establish a new premium schedule at the end of 2009. This is a more prudent timeframe to establish a new premium schedule given the current environment and the temporary emergency actions taken by the government that will expire at the end of 2009.

The Alabama Bankers Association appreciates the opportunity to comment about the proposed FDIC regulations. Please address any questions about our position to Tom Layfield at 334-834-1890 and tlayfield@alabamabankers.org address.

Sincerely,



Dan Bailey
EVP & CEO

Cc: Senator Richard Shelby
Senator Jeff Sessions
Representative Jo Bonner
Representative Terry Everett
Representative Mike Rogers
Representative Robert Aderholt
Representative Bud Cramer
Representative Spencer Bachus
Representative Artur Davis