Maryland Bankers Association

November 10, 2008

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

Re: Comments – RIN No. 3064-AD35 - Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

On behalf of our members, the Maryland Bankers Association (MBA) respectfully submits the following comments regarding the Federal Deposit Insurance Corporation's proposal to increase deposit insurance premiums and to increase premiums for the use of secured liabilities. MBA represents over 100 banks, 1,700 branch offices with over $85 billion dollars in deposits among our charter members (state-chartered banks, national banks & thrifts, state banks chartered outside of Maryland). We appreciate the opportunity to make comments on the proposed rule and look forward to discussions to ensure that these regulations are appropriate to serve the purposes of the FDIC but do not burden unnecessarily healthy institutions.

Given the challenging environment, we urge FDIC to minimize disruptions to the business practices of healthy institutions. It is the healthy institutions that will help propel us out of the current environment. The FDIC policy should not disrupt business practices at insured depository institutions, particularly during these extraordinary circumstances

Advances from Federal Home Loan Banks are an important source of liquidity for our members. FHLBank advances provide community banks with access to reliable and stable low-cost funding. We have strong concerns about policies that would penalize the use of advances. Ultimately, we believe this will harm efforts to restore liquidity to the credit markets.

The FDIC should not assess a penalty on healthy institutions that prudently employ FHLBank advances. These advances are a critical and stable source of liquidity and liquidity risk is the most significant challenge facing the banking industry at this time. If the FDIC proceeds with this new approach to risk-based premiums, FHLBank Advances that do not increase institution risk should be treated differently than other secured liabilities for the following reasons:

- FFHLBank advances are more reliable, flexible and better priced than other sources of funding.

- As unique providers of secured funding, FHLBanks are cooperatives that serve their member/customers. As such, advances are priced with very narrow spreads over the

FHLBanks' cost of funds.

- The use of advances further strengthens depository institutions since most resulting net income to the FHLBank is paid to members in the form of dividends (for example, in the first nine months of 2007, 84% of FHLBank net income was paid out as dividends to members).

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 to 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 recommend the FDIC consider the following steps:

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

- <u>The FDIC should establish a new premium schedule at the end of 2009</u>. 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.

Thank you for the opportunity to comment on the proposed FDIC regulations. Please contact me by if you have any questions or comments regarding MBA's concerns.

Sincerely,

Mindy Lehman

Mindy Lehman
Vice President of Governmental Affairs
Maryland Bankers Association