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December 1, 2008

<u>VIA ELECTRONIC MAIL (Comments@FDIC.gov)</u>
Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Depsoit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

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

Dear Sir or Madam:

Please accept this comment letter on behalf of Guaranty Bank, headquartered in Milwaukee, Wisconsin ("Guaranty"). Guaranty is a $1.7 billion bank with retail branches in 5 states (Wisconsin, Illinois, Michigan, Minnesota and Georgia).

I appreciate the opportunity to comment on the FDIC's proposal to raise premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system, published in the Federal Register on October 16, 2008 ("Proposal"). In part, this Proposal proposes to impose higher risk-based premiums for federally insured depositories that use secured liabilities, including advances from the Federal Home Loan Banks ("FHLB"). The Proposal would raise the premium assessments to recapitalize the insurance fund in five years to over 1.25 percent of insured deposits, yet the Federal Deposit Insurance Reform Act requires the FDIC to rebuild the fund to 1.15 percent in five years and to take longer when there are "extraordinary circumstances."

A strong FDIC insurance fund is important to maintaining depositor confidence, and I appreciate the need to restore the Deposit Insurance Fund. However, I am concerned that this Proposal would increase the cost of funding unnecessarily for Guaranty and other financial institutions, and discourage the prudent use of FHLB advances as a reliable source of funding to supplement core deposits. For this, and other reasons explained below, I strongly urge the FDIC to revise or delay implementing the Proposal.

FHLB advances are a critical source of liquidity for financial institutions, such as Guaranty, and have been used safely and effectively for over 75 years. FHLB advances allow lenders to ensure that credit remains available to worthy borrowers on affordable terms. In times of economic crisis such as these, the liquidity provided by the FHLBs is particularly important to financial institutions, as demonstrated by the surge in demand for advances from FHLB members. FHLB advances are helping to alleviate the current liquidity shortage, and I am greatly concerned that the Proposal threatens to contract this critical source of liquidity at a time when it is most needed.

Imposing an additional premium for advance usage will penalize financial institutions that regularly use FHLB's for their liquidity needs. It will encourage them to either decrease their lending activities or seek out other more expensive and less reliable sources of funding. Either way, the cost of funding for borrowers will increase. This result would be contrary to the recent efforts by the Treasury Department, Congress and the Federal Reserve to promote liquidity, encourage lending and bolster confidence in the U.S. banking system.

An alternative would be to at least suspend the Proposal as a result of two recent actions: Congress raised the deposit insurance to $250,000 per account and the Treasury Department, FDIC and Federal Reserve extended deposit insurance coverage to all non-interest bearing transaction deposit accounts. Both of these actions are scheduled to expire on December 31, 2009. Therefore, Congress is likely to reconsider the issue of deposit insurance next year. Until that happens, an accurate assessment of the demands placed on the deposit insurance fund cannot be known. Therefore, the FDIC should delay any proposal to recapitalize the deposit insurance fund until Congress has acted.

Feel free to contact me if you have any questions regarding this letter.

Very truly yours,

Samantha Steinle
Assistant Vice President and Associate Counsel
Guaranty Bank