COMMENTARY ON TLGP
October 30, 2008

EXECUTIVE SUMMARY

More than 7,000 community banks across America rely on Bankers' Banks every day for liquidity, funding and lending assistance. Any disruption to that process has a significant and negative impact on community banks. In turn, by their very nature and mission, Bankers' Banks rely primarily on the overnight funds of community banks. Thus, Bankers' Banks have no traditional retail demand deposit or savings accounts from which to draw funding. As a result, the overnight fed funds sold to Bankers' Banks are their primary source of funding and, in essence, serve as their core deposits.

CONSIDERATIONS

- **Unintended Consequences:**
    - Program designed to increase interbank funding, but the proposed assessment rate actually restricts this process at the community bank level
    - Places Bankers' Banks and their customers at a competitive disadvantage to the Fed and mega banks

- **Confidence**
    - 20 Bankers' Banks serving 7,000+ community/main street banks
    - Bankers' Banks provide liquidity, funding and lending to the community banks that serve main street

OPTIONS & POSSIBLE SOLUTIONS

- **Allow:**
    - Bankers' Banks to "Split" Fed Funds Purchased between Guaranteed and Non-guaranteed

- **Provide:**
    - Separate treatment and pricing for Fed Funds Purchased from the category of Senior Unsecured Debt

- **Reduce:**
    - Assessment for coverage under the FDIC's TLGP; and,
    - Institute a risk-weighted approach to the pricing model