



March 30, 2009

Via e-mail at Comments@FDIC.gov
Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attn: Comments
550 17th Street NW
Washington, DC 20429

RE: Proposed Special Assessment for the Deposit Insurance Fund

Dear Mr. Feldman:

The Illinois Bankers Association (IBA) appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) interim rule to impose a special emergency assessment of 20 basis points on bank deposits effective June 30, 2009.

The IBA and its nearly 400 member banks and thrifts understand the importance of maintaining the financial viability of the Deposit Insurance Fund (DIF) during these difficult times in order to maintain the confidence that depositors have in the system. However, the members of the IBA are deeply concerned about the special DIF assessment, combined with the possibility of yet another special assessment thereafter, and the devastating impact it would have on banking industry earnings and the ability to build capital when it is needed the most.

The banking industry is dealing with a deepening recession, accounting rules that overstate economic losses and unfairly reduce capital, and an already significant increase in quarterly FDIC premiums along with many other regulatory pressures. At the same time, like other banks across the nation, Illinois banks and thrifts have been taking aggressive steps to reduce expenses in order to ensure that they remain strongly capitalized. A special assessment not only would wipe out these efforts, but would be totally counterproductive to the government's pressures in urging banks to build capital against future loan losses and to increase lending to stimulate the economy.

Furthermore, the additional impact on industry earnings will significantly impact every corner of every community in Illinois. Bank lending will most certainly be affected, as will the ability to support their local communities through charitable donations and sponsorship activities—something that the banking industry has been proud to do year after year.

We strongly urge the FDIC to work with the banking industry to develop alternatives to the special assessment that would reduce the burden on our members and provide the FDIC the funding it needs in the short term.

Below are some alternatives to consider:

- Use the FDIC's borrowing authority with Treasury if the DIF needs resources in the short-run. This credit line is meant to serve as a "bridge" if the DIF becomes too low. It should be allowed to serve that purpose first, *after* which the industry could be called upon to expedite replenishing the fund. It is senseless to severely deplete the entire banking industry's earning and capital bases overnight when it may not be necessary to expedite premium payments.
- Reduce the special assessment, and spread any remaining necessary assessment over a longer period of time. At the same time, the FDIC should spread out the recapitalization of the DIF over a longer timeframe.
- Use a convertible debt option, whereby the FDIC could convert debt borrowed from the banking industry into capital to offset losses if it needs the funds. This would allow banks to write off the expense only when the funds are actually needed.
- Use the revenue that the FDIC is collecting from the Temporary Liquidity Guarantee Program. There is considerable revenue from those banks that are issuing guaranteed debt to help support the FDIC at this critical time.

We urge you to seriously consider these and other constructive alternatives when the FDIC Board meets in April to finalize the special assessment rule. Implementing some of these modifications, in lieu of a special assessment, will ensure that the DIF remains secure and will allow our industry to remain viable and continue lending in local communities across the State of Illinois.

Thank you for your consideration of our views. Again, we appreciate the opportunity to comment on this very important interim rule.

Sincerely,



Michael Steelman
Illinois Bankers Association Chairman
Farmers & Merchants State Bank of Bushnell
Chairman and CEO



Linda Koch
Illinois Bankers Association
President and CEO

cc: Members of Illinois Congressional Delegation