

H. Lynn Harton  
President and Chief Executive Officer

June 29, 2009

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments, Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

Dear Mr. Feldman:

I am writing to provide my comments regarding the FDIC's proposal to extend the Transaction Account Guarantee Program (TAG). By way of background, I am the CEO of The South Financial Group, a \$13.2 billion community focused bank with 182 branches in our markets of South Carolina, North Carolina and Florida.

1. **TAG worked, is working, and should be extended beyond the six month period proposed by the FDIC.**
  - o If TAG is removed prematurely, business leaders will become less confident about their deposits and less confident about the stability of the financial system. This lack of confidence will translate into less business investment and erosion of the stability we are seeing come back into the economy. TAG was implemented in October of 2008 (along with an increase in FDIC insurance limits on all accounts to \$250,000) to address unprecedented disruptions in financial markets and tremendous concern on the part of consumers and small business owners over the safety of their deposits. IT WORKED. The deposit guaranty extensions have done more to calm depositors and let them focus on running their businesses (rather than worry about the safety of their deposits) than any other action taken by the Federal Reserve or the FDIC. Since October, I have personally spoken to literally hundreds of our best commercial customers at a series of presentations we made in our markets. Without question removal of TAG would be a significant concern to these business owners.
2. **The premature removal of TAG would provide an unfair competitive advantage to those 19 banks deemed "too large to fail" by the recent SCAP tests.**
  - o Business owners will move deposits to those largest 19 banks with the implicit government guarantee. This will force local community and community based regional banks to significantly curtail lending activity, and in some cases, may cause failure of institutions that would otherwise be viable.

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**3. For these reasons, TAG should be extended until June 2011.**

- o TAG should be extended far enough into the future that business owners will be confident that the financial system will have recovered. While determining that date is clearly a guess, it is highly doubtful that normalcy will be returned by June 2010. To give some certainty to the markets, TAG should be extended until June 2011. While I do expect continuing slow recovery in the economy, I would not expect the banking sector to be fully recovered until the first quarter of 2011.

**4. Increasing fees for the TAG program is reasonable, but should be tiered up over time in the following manner – 15 bp in 2010 and 25 bp in 2011.**

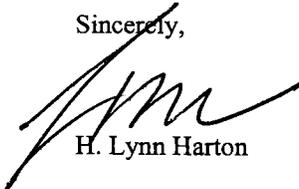
- o The guaranty has a value and it is reasonable to charge for it. Moderating the increase will have the desired effect of preparing institutions for the ultimate removal of the program, while at the same time, recognizing the importance of the program to the ultimate recovery of the economy.

**5. Maximum interest rates allowed for the product should not be lowered below the current 50 bp.**

- o While LIBOR has declined since the program was initially put in place, rates that community banks pay for deposits has not changed materially over the same time period. The spread between LIBOR and CD rates continues to be high relative to historical spreads.

I appreciate the opportunity to express these comments and I look forward to the successful extension of the TAG program.

Sincerely,



H. Lynn Harton

HLH/lag