People's United Bank

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Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: RIN 3064 –AD35; Interim Rule on Assessments; 12 CFR Part 327; 74 Federal Register 9338, March 3, 2009

Dear Mr. Feldman,

On behalf of People's United Bank, I appreciate this opportunity to comment on the FDIC's interim rule creating a special assessment of 20 basis points in the second quarter 2009 and providing a mechanism to impose additional special assessments of up to 10 basis points under certain circumstances. People's United is a $19 billion federal savings bank headquartered in Bridgeport, Connecticut and one of the largest independent banks in New England, with 300 branches in 6 states.

We recognize the critical role that a sound deposit insurance program plays in our financial system and wholeheartedly support actions that will ensure the long-term stability of the deposit insurance fund. The FDIC must preserve its ability to assure the public, as it has since 1933, that no depositor has ever lost a penny in an insured deposit account. We also agree that it is in the industry's best interests to continue to fund deposit insurance through premiums paid by insured financial institutions.

However, in this environment it is also critical to ensure that steps taken now to strengthen the DIF don't have the unintended effect of further weakening institutions that are struggling to deal with the fallout from the worst economic downturn in more than 70 years. We believe that there are actions that can be taken now, specifically, increasing the FDIC's borrowing authority, using TLGP and PPIP surcharges to fund the DIF, further extending the time-period for recapitalization and broadening the assessment base to include all assets, not just deposits, that will preserve the integrity of the deposit insurance system without the damaging impact of a special assessment.

The special assessment, which was completely unexpected, comes on top of already significant increases in premiums in 2009. For People's United, which is in the lowest risk category, this includes the 7 basis point across the board increase for the first quarter this year, an estimated 10 basis point premium going forward under the new risk-based assessment rules, plus an additional 10 basis points imposed on non-interest bearing transaction accounts in excess of insurance limits under the Temporary Liquidity Guarantee

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Program. And we are not alone, every insured institution is faced with dramatically increased costs at a time when they can least afford it.

We recognize that the FDIC is well aware of the burden associated with the special assessment, and applaud Chairman Bair's efforts to secure legislation that would raise the FDIC's borrowing limit from $30 billion to $100 billion ($500 billion through 2010). We also fully support the FDIC's recent proposals to apply surcharges associated with the TLGP debt guarantee and the Public-Private Investment programs to rebuilding the DIF. None-the-less, even if the special assessment is reduced to 10 basis points or even lower, coming as it does on top of greatly increased risk-based premiums, we believe that it will be detrimental to the industry as it works to react to extremely difficult economic conditions.

Although we welcomed the FDIC's decision to extend the time-period for recapitalizing the DIF from five to seven years, we believe that it would be advisable to extend this period even further, especially if the $250,000 deposit insurance cap is made permanent. Congress established a 15 year period to recapitalize the fund in the early 1990s; we believe a similar time-frame is appropriate in this circumstance. Allowing ten to fifteen years to rebuild the DIF could eliminate the need for any special assessment. If additional assessments were needed, they could be announced in advance, and phased-in in an orderly fashion, so that institutions could plan for, and mitigate, the negative impact to capital and earnings.

The FDIC has requested comments on a number of aspects of the interim rule. For the reasons outlined above, we believe that the special assessment should be eliminated or greatly reduced, so as to reduce the financial burden on insured institutions during this very difficult time. If the special assessment is imposed, however, we believe that it should be determined based on total assets (minus tangible capital), rather than deposits. This method would help to ensure that those institutions that rely on funding from sources other than deposits share fairly in the costs of maintaining the federal deposit safety net.

Similarly, we support the imposition of a special premium for institutions identified as presenting systemic risk to the financial system. This will help to ensure that the greater cost associated with oversight and insurance of these institutions is borne by the institutions themselves, rather than by the industry as a whole.

Thank you for the opportunity to comment on this important matter.

Very truly yours,

Susan D. Stanley