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To: Comments
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FDIC:

I wish to comment on the Extension of the FDIC Transaction Account Guarantee Program (TAG). I believe there is a need to extend the program with an amended timetable and this is why:

Prior to the recent economic meltdown, many community banks lost local deposits because of the \$100,000 limit on deposit insurance. These local deposits were a reliable source of funding for loans to the local communities. These banks tried to keep their local deposit customers covered by insurance with the purchase of excess deposit insurance from Warren Buffet's Kansas Bankers Surety or any number of insurance companies who have now exited the excess deposit coverage business. This source of deposit insurance is now all but gone and there is no likelihood of it returning anytime soon, certainly not by June 30, 2010.

The proposal suggests that risk aversion has moderated since the fall of 2008 when the FDIC implemented the TAG program as part of the TLGP however it does not consider the relative unavailability of replacement deposit insurance. It does not discuss how the potential deposit outflow on community banks will affect their lending ability or the resulting economic condition of local communities in this country dependent on local bank lending in a time of recession.

Extending the program for only six months does little. What bank can lend money based on deposits likely to disappear in six months?

I believe that a gradual phase out of the unlimited deposit coverage would be less risky to our Economy than the proposed immediate withdrawal of the unlimited coverage. It would let banks plan for the coverage removal and dampen any unknown detrimental effects to the economy. We don't need any additional blows to our financial structure at this time.

I suggest that the unlimited deposit insurance should be lowered to \$5,000,000 on December 31, 2009 and then reduced by \$1,000,000 on December 31 of each year until it reaches \$1,000,000 on December 31, 2013 when the other \$250,000 coverage is scheduled to expire. That would allow the FDIC to deal with the issue all at once. It would allow time for potential insurance companies to reenter the excess deposit insurance business. It would take away some uncertainty from the market to allow it to heal. It would be better from a disclosure standpoint. Banks could give a one-time customer disclosure rather than a new disclosure every six months with new proposals for extensions because the economy reacts badly to community banks being unable to fund loans for community improvements.

Thank you.

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