SunTrust

Mark A. Chancy
Corp. Exec. Vice President &
Chief Financial Officer

SunTrust Banks, Inc.
303 Peachtree Street, NE
30th Floor
Atlanta, GA 30308
Tel 404.813.1281
Fax 404.813.5440
mark.chancy@suntrust.com

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BY E-MAIL

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

Re: 12 CFR Part 370 RIN 3064-AD37

Dear Mr. Feldman:

SunTrust Bank appreciates the opportunity to comment on the proposed amendment to extend the Transaction Account Guarantee Program (TAGP). As noted in the proposed amendment, deteriorating market and economic conditions, as well as recent bank failures, are concerning to all stakeholders, including, financial institutions, regulatory bodies, and depositors. SunTrust's comments will address (i) the terms of extension, (ii) the capped NOW rate, and (iii) the fee structure.

Terms of Extension

SunTrust suggests that the current TAGP program should be scaled back with a clearly defined, well-publicized time horizon as market instability is still evident. Taking into consideration historic recoveries specific to systematic financial disruption, prior decisions of regulatory bodies can often be classified as "too quick to revert back to normal." These include decisions regarding deficit spending, monetary policy, and regulatory actions. While the markets have improved, conditions have not returned to pre-disruption levels and some markets are unable to trade without governmental programs, such as the Temporary Liquidity Guarantee Program (TLGP). For example, prior to the disruption, debt issuance without a federal guarantee was obviously commonplace and executed with very little fanfare. Currently, when a financial institution issues debt without TLGP, the issuance is considered to be newsworthy. Clearly, market stability is not evident.

The concern with either of the FDIC's proposed alternatives is that they each create a potential "cliff event" for both financial institutions and depositors of relatively large balances. For financial institutions, substantial lead times are required to accommodate customer expectations and responses from the banks to alleviate "flight to quality" problems. Unfortunately, disclosures to depositors and concerns caused by institutions opting in and opting out can be confusing. For depositors of relatively large balances, a graduated scale back is needed to provide them assurance that their deposits are safe. As discussed below, we believe these proposals will exacerbate the current situation by adding confusion and concern about the banking system in general. Instead, a standardized program is needed to restore the financial system to pre-disruption levels.

The perception of the "have's (with the guarantee) vs. the have not's" (without the guarantee) will need to be addressed. Said another way, the potential creation of a risk perception with respect to banks opting in and out is extremely troubling. Those financial institutions that opt in may be perceived as needing a guarantee to survive. In contrast, those financial institutions that opt out could be perceived as too risky, leading to an exodus of depositors. The phasing out of the guarantee should be managed safely and gradually over an extended period of time to avoid an abrupt "pulling of the plug".

Considering an estimated $700 billion is in the guaranteed product, disorder in the market may occur if the proposed phase-out is not handled properly. Throughout this current environment, financial institutions have seen large balances deposited in products with the unlimited guarantee because some investors prefer the guarantee over the risk of another investment. SunTrust encourages the regulatory bodies to consider the impact of regulations on the money market mutual fund industry being proposed at this time.

Given the above concerns, instead of the proposed "cliff event," SunTrust proposes a step-down approach with respect to the FDIC guarantee. While statistics of the stratification of deposits under the TAGP are not available, the industry would be better served by creating a high cap that would impact a portion of the funds being reported. We propose that as of January 1, 2010, balances of $5 million and above would no longer have the guarantee. The guarantee would then step down for balances of $2.5 million on January 1, 2011, $1 million on January 1, 2012 and then be eliminated for all deposit in excess of $250,000 following a final step down in 2013. This structure has the advantage of reducing the liability of the fund, while creating long-term expectations for both depositors and financial institutions.

Additionally, SunTrust proposes that the FDIC eliminate the unlimited guarantee, as well as the associated fee, on public fund deposits, as banks are generally already required to collateralize these deposits. The deposits of public entities are secured by collateral, which limits the potential exposure of the FDIC in the case of a bank failure.

Capped NOW Rate

SunTrust believes that the rate on NOW accounts should remain at .50% if a longer term step-down approach is adopted. This will limit client confusion and the administrative burden of disclosures and communication to clients. The .50% rate can serve as a base rate for the entire term, regardless of Fed Funds rates. Assuming interest rates will rise during the proposed step-down, clients can make their own risk-return decisions, which could actually accelerate the flow of balances back to non-guaranteed products. In an improving economic environment, clients who have confidence in the banking system, and who are willing to leave guaranteed products in exchange for a higher interest rate, are likely to reintroduce their funds to products with a higher return, thereby reducing balances in guaranteed products. Under SunTrust's proposed step-down approach, the guarantees would expire at a gradual pace so that clients who prefer the guarantee will be prepared to place these monies over time in a more stabilized market.

<u>Fee Structure for the Extension</u>

We believe that the proposed rate for the additional insurance is problematic. While the FDIC has paid out total claims on TAGP deposits of $323.5 million through March 31, 2009, with accrued expense of $731.5 million[1], the final bill will ultimately be paid by the surviving banks. SunTrust believes that charging the surviving banks now is pro-cyclical during a period of extreme stress on the banking system. Charging banks an additional 15 bps during the time in which they are being hit hardest with credit losses, collections expenses and deposit compression runs counter to the dual goals of stabilizing the banking system and fostering an economic recovery. Instead, SunTrust proposes continuing the additional 10 bps charge, which would be phased out in concert with the guarantee as proposed above.

SunTrust also believes that fees should be charged in a manner that is completely consistent with the method of calculating standard FDIC Insurance assessments. Average balances are truly more reflective of a financial institution's overall deposit balances, since quarter-end balances are prone to quarter-end client balance repositioning, the resulting market swings and benchmarking exercises.

In summary, SunTrust proposes the following:

1. Eliminate the unlimited guarantee for public fund entities and therefore eliminate the associated fee
2. Cap NOW accounts at the Fed Funds target level
3. Continue the current fee of 10 bps calculated on average balances
4. Implement a phase-out schedule as follows:

Balances	**Guarantee Period End**
$5 million and over	January 1, 2010
$2.5 million – $4.999 million	January 1, 2011
$1 million – $2.499 million	January 1, 2012
$250,000 – $999,999	January 1, 2013

Sincerely,

Mark A. Chancy
Chief Financial Officer

1 Tabulated from the Fourth Quarter 2008 CFO Report to the Board of Directors and the First Quarter 2009 CFO Report to the Board of Directors.