



Michigan Bankers Association

October 20, 2009

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
Re: RIN 3064-AD49

Dear Mr. Feldman:

On behalf of the banking industry of Michigan, we write to support the FDIC Board's proposed Deposit Insurance Fund Restoration Plan which would assess a one-time prepayment of FDIC premium by insured depositories. While the imposition of any additional costs in this economy create challenges for our banks and the communities they serve, this approach is much less damaging than one or more additional special assessments to restore the Deposit Insurance Fund. We also understand the concerns of the FDIC Board and the perception to the public relating to the FDIC borrowing from the Department of Treasury and the consequences of borrowing to the FDIC and the Deposit Insurance Fund.

We request that the proposed rule be amended to allow annual adjustment of a bank's pre-paid premium based on actual deposit growth or decline and to reflect its assessment rate based on then current bank ratings. This would reward banks that improve their condition and more accurately reflect current conditions each year.

The banking industry of Michigan is doing remarkably well given eight consecutive years of job loss in our state. Our tremendous economic challenges result from the substantial declines in our manufacturing base and resulting employment, wage level, property value, and population reductions. We did not have a "housing bubble" in this state. Our industry is remarkably resilient through strong lending discipline and solid management practices. Yet the impact to even our strongest banks from the state's and more recently the nation's economy are substantial. Pressures from loan losses as homeowners lose employment and businesses lose customers are severe. Sadly, Michigan's unemployment rate has led the nation for eight years and is now above 15% and more than 20% in many communities.

These economic impacts are exacerbated by bank regulatory agency actions, including those of the FDIC, addressing our banks and the conditions of the property values in their communities.

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The impact on Michigan banks of another special assessment would immediately and substantially reduce earnings and capital and would have a serious counter-productive impact on the ability of Michigan banks to address customer and community credit needs--this in an economy already suffering. We also believe additional special assessments would prove counter-productive to the health of the Fund by increasing bank risks. Consequently, we strongly encourage the FDIC Board to avoid future special assessments as part of the Deposit Fund Restoration program.

We also encourage the FDIC to welcome and act promptly and favorably in addressing requests for exceptions from individual banks under the proposed pre-payment rule. We applaud the inclusion of this specific exception process as it reflects appropriate concern for counter-productive effects of this plan on banks most challenged in this economy. Where exceptions are approved we encourage processes and conditions that are most conducive to the bank's recovery, and avoid treatment that could increase risks to the excepted bank.

The proposed pre-payment plan will still increase financial strain on banks at a time when they can least afford additional costs. Yet it will help maintain public confidence in the deposit insurance system and the industry that supports the FDIC Board. It does so in a way that will best allow the banks affected to carry the increased costs while minimizing immediate capital demands. We encourage amendment to require annual account balancing and adjustment.

On behalf of the banks of Michigan, we support the adoption of the proposed Deposit Insurance Fund Restoration Plan.

Thank you for considering our comments.

Sincerely,

A handwritten signature in black ink that reads "Dennis R. Koons". The signature is written in a cursive, flowing style.

Dennis R. Koons, J.D.
President & CEO
Michigan Bankers Association