From: Dieterich, Bob [mailto:rjdieterich@FIRSTSCOTIA.com]
Sent: Tuesday, October 20, 2009 3:13 PM
To: Comments
Subject: Prepaid Assessments, Proposed Rule - AD49

Gentlemen,

I truly appreciate the level of thought that has been put into the proposed rule as well as the opportunity to comment. I believe the proposal is a good one and would like to present a couple of options that I believe could improve it further:

1) The FDIC could accomplish the goal of increasing liquidity on a voluntary basis by issuing bonds. The bonds could be purchased by banks that would be willing to lend and the interest would be paid by all FDIC participants through their premiums. This option would still be industry funded, would allow banks with excess liquidity to shore up the DIF and to earn some interest, while banks with strong loan demand would be able to retain their cash to lend. Interest rates would be low with a government guarantee and the risk weighting would likely be 0%.
2) My community bank, and I am sure there are many others, collects a significant amount of tax money for our local schools during the third quarter. This money significantly inflates our deposit base for this time period and drops dramatically by mid-October. I believe it is unfair to use September 30^{th} deposits as a baseline and to assume a 5% annual increase from there. It would be more appropriate to annualize 2009 payments, less the special assessment, and provide for a more likely increase of 2.5% annually from there.
3) If the prepay option is used it could be mandatory for year one, but optional for up to three additional years. The incentive to prepay further would be to offer discounts or at a minimum to lock in the current risk based rate matrix.

Thank you again for the opportunity to comment.

Please contact me if you have any questions regarding these comments.

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