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To: Comments

Cc: Rusty Cloutier; Robert Taylor

Subject: Special Assessments

Insured deposits increased \$212 billion while the fund decreased by 45.4% in the fourth quarter EXCLUDING the impact of the new \$250,000 coverage limit and unlimited transaction coverage option. Like it or not, most of the \$7.5 trillion in deposits in our banking system are now covered by the fund, so assuming a 1.15% coverage ratio, where will we raise the \$86 billion in required reserves in addition to the \$65 billion needed to fund losses from troubled banks? With only \$18.8 billion remaining in the fund the deficit looks like \$133 billion which will need to be covered by bond borrowings or special assessments.

Balancing the mix of pay me now or pay me later will send shock waves through the U.S. banking system, quarterly premium escalations are far less destabilizing than lump sum special assessments. Long term borrowings allow time for economic recovery, short term special assessments do not.

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