SunTrust

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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 327 RIN 3064-AD49

Dear Mr. Feldman:

SunTrust Banks, Inc. appreciates the opportunity to comment on the proposed amendment requiring insured institutions to prepay estimated risk-based assessments. Deteriorating market and economic conditions, as well as recent bank failures, continue to concern all stakeholders, including financial institutions, regulatory bodies, and depositors alike. SunTrust's comments will address the questions outlined in the proposal.

<u>Imposing Additional Special Assessments/Borrowing from the Treasury or FFB</u>

SunTrust agrees that using prepaid assessments to meet the FDIC's liquidity needs is preferable to imposing additional special assessments. Increased assessments are pro-cyclical, adding a tremendous burden to the banking industry during this difficult time. As projections to replenish the fund may change and short-term liquidity needs could increase substantially, the FDIC should reserve borrowing from the Treasury or FFB as a last resort.

<u>Mandatory vs. Voluntary Assessments</u>

Prepayment assessments should be mandatory. It is not clear how the FDIC could ensure sufficient cash flows under a volunteer basis. Additionally, administration of a volunteer program could be potentially burdensome as well.

<u>Deposit Assumptions</u>

The FDIC noted that cash and marketable securities have dropped $33 billion from June 2008 to June 2009. The FDIC estimates bringing in $45 billion using prepaid assessments. However, it is unclear how the FDIC targeted a 5% annual deposit growth rate unless the 5% growth target merely gives the FDIC enough cushion to cover the current shortfall and the potential for more bank failures. Given the current economic environment, deposits are at a high level. Those with excess monies have very few alternatives in the current marketplace in which to invest or place funds. Additionally, the Transaction Account Guarantee Program (TAGP) has provided a safe alternative for those with excess cash, thus inflating non-interest bearing transaction and capped NOW account balances. Once TAGP expires and the economy recovers, deposits are likely to contract. Therefore, we believe an annual 5% deposit growth assumption is too high. Since deposits are currently inflated by the economic environment and the TAGP, the FDIC should consider holding deposit balances static for the prepayment timeframe.

Different Periods of Time or Installments

The FDIC recommends prepaying assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012. In reviewing the estimated proceeds, the time period does not appear to be out of line. It would be preferable if depository institutions could prepay shorter time frames so as to better project the level of balances.

Amended Restoration Plan

The current liquidity need should be focused on building sufficient funds so that the FDIC can pay out claims when insured depository institutions fail. Special assessments are pro-cyclical in nature and hurt the industry at the worst possible time. The Restoration Plan targets to build the reserve ratio back to 1.15% within eight years. When the economy improves, the reserve ratio target should be re-addressed so that the amount and mix of the Depository Insurance Fund will be in a better position to handle future economic downturns.

In conclusion, increased FDIC assessments in the current environment impair the industry as a whole. SunTrust favors mandatory prepaid assessments over special assessments and borrowing from the Treasury. SunTrust also urges the FDIC to partner with the industry to develop a better long-term approach that provides adequate insurance to depositors and reasonable fees over time that does not create the pro-cyclicality as we have seen over the last 20 years.

Sincerely,

Mark A. Chancy
Chief Financial Officer