REGIONS

October 28, 2009

Via electronic delivery

Mr. Robert E. Feldman
Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: RIN # 3064-AD49: Prepaid Assessments Notice of Proposed Rulemaking

Dear Mr. Feldman:

Regions Financial Corp.[1] appreciates this opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) Notice of Proposed Rulemaking for Prepaid Assessments (Proposal). Any new FDIC policy must be considered in light of the agency's mission as well as efforts to achieve long-term stability for the financial services industry as the economy recovers from its worst recession in decades and returns to growth. Regions, despite some areas of concern, supports the measure for the prepaid assessments in order to provide liquidity to the Deposit Insurance Fund ("DIF"). In addition, Regions agrees with the FDIC Board's decision to extend the Amended Restoration Plan to eight years. This change will allow the industry to restore the DIF over an extended period of time after the economy fully recovers and, significantly, it does not increase the risk-based assessments until 2011.

The proposed FDIC approach recognizes the need for a counter-cyclical approach in rebuilding the DIF, a point that Regions made in its April comment letter on the special assessment interim rule. The FDIC needs to be mindful not to weaken the banking sector

[1] Regions Financial Corporation, with $140 billion in assets, is a member of the S&P 100 Index and one of the nation's largest full-service providers of consumer and commercial banking, trust, securities brokerage, mortgage and insurance products and services. Regions serves customers in 16 states across the South, Midwest and Texas, and through its subsidiary, Regions Bank, operates approximately 1,900 banking offices and 2,300 ATMs. Its investment and securities brokerage trust and asset management division, Morgan Keegan & Company Inc., provides services from over 300 offices. Additional information about Regions and its full line of products and services can be found at www.regions.com.

because such an action could slow the overall economic recovery at a time when the country is dealing with the highest unemployment in two decades. Indeed, the FDIC's statutory mandate is "take into account economic conditions generally affecting insured depository institutions so as to allow the reserve ratio to increase during more favorable economic conditions and to decrease during less favorable economic conditions."[2]

Regions agrees that the prepayment of these assessments, with the accounting mechanism proposed, is the right step at this time, and it is another positive counter-cyclical action by the FDIC. The prepaid assessment allows the industry to maintain primary responsibility for restoring the DIF balance to the statutorily mandated reserve ratio of 1.15%, while minimizing the impact on insured depository institution lending, deposit base, capital, and earnings. More importantly, this proposal replenishes the DIF over time after the industry—and the entire economy—can recover. Although the prepayment will require the industry to provide liquid assets, the treatment as a prepaid expense—and accordingly a zero risk-weighted asset—is favorable.

The Proposal further states that the risk-based assessment rates are subject to change based on subsequent FDIC liquidity needs. Regions understands that the assessments will be based on current liquidity needs and that such needs could change quickly given the economic environment. Regions reiterates that if additional assessments are necessary in the future, FDIC must take into account the economic conditions of the industry and aim for a counter-cyclical approach for the payment of these assessments. To this end, if more working-capital is needed for the FDIC to resolve failing insured depository institutions in the near term and the FDIC considers future actions to bolster the DIF, Regions would recommend the agency consider other options, such as accessing its $100 billion line of credit with the Department of Treasury.

While the Proposal represents a reasonable approach in the present economic environment, several factors need to be considered or clarified. For instance, the FDIC should consider that refunds or shortfalls be accounted for on an annual basis rather than at the end of the three-year period, as stated in the Proposal. If an institution's risk-based assessment decreases within the next few quarters, it would allow the institution to receive the repayment of excess prepayment sooner than in the current Proposal. The FDIC also should provide an interest credit on the prepaid funds. Finally, given the tax implications, the FDIC should work with Treasury to amend tax rules in order to allow deductibility, for income tax purposes, for the entire amount when paid. Again, such changes would appropriately balance the interests of the FDIC and the overall economic health of the banking sector.

In addition, while considering these issues, the FDIC should clarify whether or not FICO and TAGP premiums must be prepaid.

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[2] 12 U.S.C. § 1817(b)(3)(C)(ii) (2006).

In sum, the Proposal is a positive alternative to requiring a special assessment from the industry in 2009. Thank you again for the opportunity to share our views with you on this subject. If you have any questions, please feel free to contact me at (205) 264-5521.

Sincerely,

Chris Scribner
Vice President, External Affairs