October 27, 2009

MEMORANDUM TO: Public Comment File

FROM: Kymberly K. Copa, Senior Counsel
Legal Division

SUBJECT: Advisory Committee for Community Banking Meeting

On October 2, 2009, the FDIC published in the Federal Register a Notice of Proposed Rulemaking requesting comments on its proposal to require insured depository institutions to pay, on December 30, 2009, their estimated quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012.

On October 15, 2009, FDIC staff met with members of the FDIC's Advisory Committee for Community Banking to discuss, among other issues on the agenda, the immediate funding needs of the FDIC. During the meeting, FDIC representatives reiterated the intended purpose of the proposed rule: provision of needed liquidity to the Deposit Insurance Fund. FDIC representatives also confirmed key features of the proposed rule including: the use of an institution's base assessment rate in effect on September 30, 2009, for purposes of calculating the institution's prepaid amount for the fourth quarter of 2009 and for all of 2010; a rate increase of three basis points for all of 2011 and 2012; an assumption of an estimated five percent annual growth rate in an institution's assessment base; offsets of prepaid assessments beginning March 30, 2010; recording of the prepaid assessment as a prepaid expense (asset) as of December 30, 2009; risk weighting of prepaid assessments; restrictions on and transfers of prepaid assessments; and an exemption process for certain institutions.

Also during the meeting, members of the Advisory Committee discussed aspects of the proposed rule including the timing of payments, the exemption process, the assessment base, the accounting treatment, and the refund of the unused pre-paid assessments. FDIC staff encouraged Advisory Committee members to submit their comments or suggestions during the comment period. Advisory Committee members suggested that the FDIC consider: a shorter timeline for its prepaid assessments, e.g., one or two years instead of three; acting quickly and leniently in making exemption determinations because of concerns regarding some community banks' liquidity and ability to expand lending; changing the assessment base from deposits to assets, allowing banks the option to expense the entire prepaid assessment amount in 2009; and refunding the prepaid assessments earlier.