IOWA BANKERS
ASSOCIATION
8800 NW 62nd Avenue
PO Box 6200
Johnston, Iowa 50131-6200

October 28, 2009 Via electronic delivery

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Comments@FDIC.gov

Re: **FDIC** (RIN 3064-AD49); **Prepaid Assessments**; 74 Federal Register 51063; October 2, 2009.

Dear Mr. Feldman:

The Iowa Bankers Association (IBA) is the largest trade association representing the banking industry in Iowa, with roughly 385 members statewide. This represents approximately 94% of the banking and thrifts located in the state of Iowa. The IBA appreciates the opportunity to comment regarding the referenced Proposed Rule.

We appreciate the work that the FDIC has done to consider options for how best to meet the costs of bank failures and to rebuild the Deposit Insurance Fund (DIF) to its normal operating range over the next several years. The banking industry, both in Iowa and nationwide, is committed to ensuring the financial stability of the FDIC. Particularly during this time of uncertainty, bankers recognize the importance of maintaining public confidence in the FDIC. The industry has been and continues to be prepared to meet its obligation to the FDIC so that there is no need to use the line of credit at Treasury except for the most exceptional circumstances. How this is accomplished is the critical question.

We believe that the prepaid assessment proposal does strike the right balance at this time to assure that the FDIC has the cash necessary to meet its obligations without impairing banks' ability to meet their obligations to their communities. The financial impact from assessments this year has already been significant, as banks will pay nearly $18 billion in premiums – including the large $5.6 billion special assessment paid in the second quarter. The IBA generally believes this approach is preferable to another special assessment, which would do more harm than good as it would directly reduce bank income, hinder capital growth, and make lending much more difficult. At this critical time, when the economy is just beginning its recovery, having an alternative that is less pro-cyclical and spreads the cost over time is the right policy. Thus, the prepaid assessment is far superior to another special assessment – despite the fact that as the economy continues to improve, having fewer liquid assets will make it more difficult to meet new demands for credit.

We have heard a significant amount of concern from our members that as the economy and bank conditions continue to significantly change in the near future – it is very likely that expected premiums over the next three years will differ from the actual premiums. Related to this fact are comments made by several IBA members that the proposed five percent growth rate for new deposits is considerably higher than what they expect over the next three years. This concern is particularly true as our industry is experiencing a temporary higher level of liquid assets – but expect that as the economy continues to improve much of this money will flow back out to the stock and equity markets. Because of this challenge to deposit growth in the near future the IBA encourages the FDIC to consider an *annual* "true up" or reconciliation with an option to either receive a cash refund (in the case of overpayment) or maintain any remaining cash on account with the FDIC to be credited against any future premium period.

Several other IBA members have mentioned the potential unfairness regarding hardship exceptions from paying the three-year assessment under the proposal. The IBA requests the FDIC consider some type of equitable surcharge or other additional assessment for these institutions that are excused from this prepayment at this time but are later assessed at some point in the future.

The IBA supports FDIC's recommendation to extend the period to eight years to rebuild the insurance fund to 1.15 percent of insured deposits (with no additional special assessments and no change in the assessment schedule through 2010). This longer-term perspective is critical to allow banks to rebuild earnings and capital, and meet credit needs in their communities.

As part of the recapitalization and prepaid assessment plans, the assessment schedule would be raised by three basis points starting in 2011. We would note that many bankers have questioned why this is an across the board – rather than a risk-adjusted – increase.

The IBA also supports a transfer of excess funds from the Temporary Liquidity Guarantee Program (TLGP) into the insurance fund. We supported the creation of the surcharge fees on guaranteed debt and are pleased that these monies have already contributed nearly $600 million in support of the insurance fund. The risk of loss under the debt guarantee program is less than the $9.4 billion in fees already collected, enabling a portion of those monies to be transferred into the insurance fund. We were pleased to learn that discussions are already underway between the FDIC and the Government Accountability Office (GAO) about how to do this, and we urge quick action to make such a transfer a reality.

If the FDIC contemplates changes to this Proposed Rule, the IBA strongly urges them to thoughtfully consider the above comments. If you have any questions about these comments, please call the undersigned at 800-532-1423.

Sincerely,

Robert L. Hartwig
Legal Counsel