OREGON BANKERS ASSOCIATION

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December 28, 2010

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

**Attn: Comments - Sent Via Electronic Delivery (Comments@FDIC.gov)**

**RE: RIN 3064-AD 66 Assessments, Assessment Base and Rates**

Dear Mr. Feldman:

On behalf of the Oregon Bankers Association (OBA) and its membership of Oregon's state and national banks, we appreciate the opportunity to raise several issues related to the above-referenced notice of proposed rulemaking. Specifically, the Oregon Bankers Association (OBA) wishes to make clear several points related to the proposed changes to the assessment base and schedule. Those points are as follows:

**1. Changes to the FDIC Assessment Base Should be Revenue Neutral.**

The FDIC should not use the proposed change in assessment base as a means to raise additional assessment revenue. The OBA supports the intent of the proposal to be revenue neutral.

Further, in the immediate future, the FDIC should monitor progress toward rebuilding the fund and adjust premiums downward upon evidence that the fund is growing faster than required to reach a 1.35 percent reserve ratio in September 2020, as mandated in the Dodd-Frank Act.

**2. The New Assessment Schedule Should be Proportional to the Current Schedule.**

The assessment schedule on the new assessment base should be proportional to the current schedule on the current base. Deviation from proportionality is not warranted.

**3. Existing Data Reported by Banks Should Continue to be Utilized in the New Assessment System.**

The OBA supports using data that banks already report in their Call Reports and Thrift Financial Reports in the new assessment system. OBA also supports the use of Tier 1 capital to define tangible equity capital (as provided in the Dodd-Frank Act) in the assessment base. OBA agrees that the quarterly average of Tier 1 capital should be calculated as the average of month-end figures, with banks under $1 billion being allowed to use the quarter-end figure. However, for "average consolidated total assets" in the assessment base, banks should be allowed to choose between the average of daily figures over the quarter or the average of figures from one day a week over the quarter, consistent with the current Call Report practice.

**4. <u>Proposed Adjustments in the Dodd Frank Act Are Generally Reasonable.</u>**

The proposed adjustments to the new assessment base, as provided for in the Dodd-Frank Act, are reasonable with a few modifications. Proposed adjustments to the assessment base for banker's banks are also reasonable. Our industry is concerned, however, that the proposed rule may have unintended consequences for the federal funds market. The average daily balance of federal funds sold should be deducted from the assessment base for <u>all banks</u>, not just banker's banks.

OBA also supports the proposed definition of "custodial banks" relative to the assessment base adjustment provided for in the Dodd-Frank Act. The statutory adjustment to the assessment base for custodial banks should simply be all assets with Basel risk-weights of 20 percent or less, regardless of stated to maturity, not to exceed the value of deposits held by custodial banks in custody or safekeeping accounts. The proposed 30-day maturity limit is not necessary to encompass high quality and liquid custodial assets.

**5. <u>Adjustments for Unsecured Debt.</u>**

Finally, the adjustments for unsecured debt, depository institution debt, and brokered deposits should align with risk exposure to the FDIC and provide incentives for sound banking.

**<u>Conclusion</u>**

OBA stands ready to work with the FDIC in refining changes to assessments in a manner that would best serve the interests of Oregon banks and the customers and communities they serve. If you have any questions, please feel free to contact me. Thank you for this opportunity to offer comment on the proposed rule.

Very best regards,

Linda W. Navarro

Linda W. Navarro
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Oregon Bankers Association & Independent Community Banks of Oregon

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