REGIONS

July 2, 2010

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

Re: RIN # 3064-AD57: Assessments

Dear Mr. Feldman:

Regions Financial Corporation (Regions) appreciates the opportunity to offer comments on the above notice of proposed rulemaking (NPR) issued by the Federal Deposit Insurance Corporation (FDIC) to revise the assessment system applicable to large institutions. The NPR's stated purpose is to better differentiate institutions by taking a more forward-looking view of risk; to better take into account the losses that the FDIC will incur if an institution fails; to revise the initial base assessment rates for all insured depository institutions ; and to make technical and other changes to the rules governing the risk-based assessment system. Regions supports the NPR's intent to more fairly assess depository institutions based on their probability of causing a loss to the Deposit Insurance Fund (DIF). However, we believe that the overall calculation is significantly too complex with mathematical models that have been derived with only the most recent credit crisis in mind. As such, there are likely to be unintended consequences that may result in assessments that do not apply fairness throughout the banking sector. We also believe that the proposed methodology is unlikely to influence bank behavior because there are too many variables driving the calculation. We also strongly disagree with the potential for inclusion of a "Large Bank Adjustment" which seems to be totally arbitrary and would inhibit transparency in the assessment calculation.

We have prepared pro forma calculations based on the proposal which indicate an increase of greater than 2 basis points in our own and several of our peer banks' assessment levels. This would seem to contradict Table 18 in the NPR which states that only 173 out of 4,427 institutions will have increases of more than 2 basis points. Moreover, the FDIC had 702 institutions on their "problem" list in the January-March period but according to Table 18, only 580 institutions are expected to have any increases based on the NPR.

We strongly suggest the FDIC revisit the methodology described in the NPR to simplify the calculation and insure that unintended consequences are not the result. Based on the proposal, however, we offer the following specific comments.

PERFORMANCE SCORES: Weightings for total Performance Scores should be revisited. Funding related stress is the most significant factor in many failed banks, particularly larger failures. A weighting of 20% compared to 50% for asset stress does not reflect the relative risk to the DIF. These scores should be more balanced.

CAMELS: The liquidity rating portion of CAMELS should be weighted at a greater percentage than 10%. As mentioned previously, liquidity problems often drive bank failures (particularly large bank failures).

ASSET RELATED STRESS

1. Concentration Measure. The "Higher Risk Concentrations" reference an LIDI program of the FDIC that is not widely utilized. As currently promulgated, the LIDI defines five areas (construction and development loans, leveraged loans, nontraditional mortgages, subprime consumer loans, and total exposure to top 20 single-name borrowers) of concentration that are not adequately or appropriately defined. More guidance is needed. For example, the definition for nontraditional mortgages should incorporate FICO scores and loan-to-value measures which are the most important factors used in underwriting such products. We also challenge the idea of equally weighing each concentration category. For instance, subprime loans due to their relative risk should be weighted higher than the other categories. Consideration should be given to removing the Concentration Measure which appears to be more complicating than useful.

2. Core Earnings/ Average Total Assets. The definition for core earnings adjusts only for security gains/losses and extraordinary items. The calculation should either allow for other "core" adjustments (such as gains/losses on loans or other assets) or simply use reported earnings without adjustment. If adjustments are to be utilized, we suggest using a predetermined tax rate (e.g. 35%) instead of the Call Report tax rate which is often impacted by the absolute level of pretax income or unusual tax adjustments.

   The maximum cutoff value for this score is 2.3. That seems extraordinarily high and could even encourage more risk taking. Since 1990, our annual large bank peer group top quartile return on assets never exceeded 1.85%.

3. Credit Quality Measure. Underperforming Assets - Accruing restructured loans should not be considered at the same level of risk as loans that are past due or non-accrual. This is also inconsistent with government programs intended to keep people from being foreclosed and forced to leave their homes. Additionally, the maximum cutoff value of 35.1 should be

changed to agree with the outlier add-on threshold of 50.2, if the outlier add-on concept remains (see below).

4. Outlier Add-ons. As proposed, these additions to the performance score are "all or nothing," which is overly punitive. This is a specific example of how the NPR calculations are too complex and likely to result in unintended consequences. The outlier add-ons should be removed. However, if used, we suggest a scaled approach. A score that slightly exceeds the threshold should not receive the same penalty as a score significantly in excess of the threshold.

FUNDING RELATED STRESS

1. Ability to Withstand Funding-Related Stress. The FDIC should consider revising the relative percentages of the three factors. Regions suggests increasing the weighting of Liquidity Coverage and decreasing the Commitment score. Perhaps the three measures should be weighted equally.

2. Liquid Assets/ Short-term Liabilities. Some portion of unencumbered mortgage-backed securities should be included in the numerator. These instruments are recognized as being important sources of liquidity.

3. Unfunded Commitments/ Total Assets. Changing the denominator to be the sum of Total Assets "plus" Unfunded Commitments would enhance consistency and fairness.

LOSS SEVERITY FACTOR: We understand the intent of this calculation is to determine the approximate cost to the FDIC upon the possibility of closing an institution and generating loss to the DIF. However, the inclusion of this Loss Severity Factor again creates an extremely complicated calculation which has never been used before and may result in unintended consequences. We believe the overall NPR could be enhanced with the removal of this portion. If this factor is included we offer the following comments:

a. A 32% growth rate increase in Insured Deposits appears extraordinarily high. It is difficult to understand how such deposits would grow to that extent immediately preceding a bank failure. Perhaps limiting the Insured Deposit growth to the Uninsured Deposit runoff should be considered. If such deposit growth did occur, it would most likely generate cash, not prorated asset increases into loans, investments, etc. which increase the loss factor. The proration concept should be revisited.

b. The formulation of an institution's balance sheet used for this calculation includes real estate loans from the Domestic Offices column of Schedule RC-C in the Call Report. All other major loan categories are derived from the Consolidated column of the schedule. This forces balances in real estate loans in nondomestic offices to be classified as "All

Other Loans." For Regions, this total was approximately $5.5 billion at March 31, 2010. In Step 3 of the Loss Severity Model, the Loss Rate for All Other Loans is 51%. The Loss Rates for real estate loan categories ranges from 10.8% to 41%. In our situation a majority of these nondomestic loans are collateralized by 1-4 family residential closed-end properties in a nondomestic REIT. The Loss Rate for this collateral type is 19.4%. Higher loss ratios result in a lower Recovery Value in the Step 3 calculation. We realize that nondomestic data for specific institutions is not available in the Call Report but, as an alternative, suggest using a more blended rate for the difference between line 1 in RC-C Column A and Column B. We also realize that this might necessitate another balance sheet category (e.g. "Foreign Real Estate Loans").

Regions appreciates the opportunity to comment on the NPR. If you have additional questions, please contact me at (205) 326-4972.

Sincerely,

Brad Kimbrough

Brad Kimbrough
Executive Vice President, Controller
and Chief Accounting Officer