REGIONS

January 3, 2011

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

Re: RIN # 3064-AD66: Assessments, Large Bank Pricing and Assessments, Assessment Base and Rates

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 insured depository institutions (IDI's). The NPR's stated purpose is to better differentiate IDI's and take a more forward-looking view of risk; to better take into account the losses that the FDIC will incur if such an IDI fails; and to make technical and other changes to the rules governing the risk-based assessment system, including changes to the assessment base necessitated by the Dodd-Frank Wall Street and Consumer Protection Act.

We are concerned that the proposal will not meet the FDIC's goal to be revenue neutral as stated in the RIN 3064-AD66 Part III. Based on information that has been shared with various banking organizations it seems that the IBAR scale has not been calibrated to result in a revenue neutral approach but instead will yield an increase in the assessments for a majority of large bank IDI's. The FDIC has stated in a conference call with the American Bankers Association that estimates are that more than 50% of large bank IDI's will pay less. We question this, as much of the empirical data for such an estimate is not available to the FDIC at the present time. Moreover, the proposal will result in a significant shift in the assessments for large IDI's and benefit smaller IDI's. We question the statutory mandate for this shift and do not see it as meeting the goal of assessing IDI's based on risk posed to the Depository Insurance Fund (DIF). We believe the increases in the large IDI's assessments have been understated by the FDIC and will have negative impacts on banks' ability to lend to customers and therefore adversely impact economic activity. This is especially critical in the current economic climate and seems to be a new countercyclical tax on large IDI's at the most inopportune time. Some large IDI's are reporting that the new calculation is producing assessments that equate to 50% or larger premiums than the 2010 premium. We ask that consideration be given to limit or cap increases. For example, a payment system that could utilize the higher of 100% of the calculation under the 2010 methodology or 75% of the calculation under the new proposal would be less impactful.

The 45 day comment period for the NPR and the April 1, 2011 effective date should be extended. As mentioned above, this proposal will generate significant (greater than 15% as contemplated in the NPR) expense increases at large IDI's. Given the magnitude and complexity, additional time should be utilized to sufficiently allow for review by the FDIC of all comments. We would expect to see significant revisions to the NPR, which would then be exposed for public comment. An arbitrary implementation date of April 1, 2011 does not seem to allow for this due process to work effectively. Almost all of the failure data that the FDIC has available for historical use to prepare scorecards has been generated from failures of banks with assets less than $10 billion. These smaller institutions have significantly different balance sheet metrics than large IDI's. Therefore we are concerned that the historical information used is inconsistent with its designed purpose and will result in assessments that are not reflective of the desired approach. We are also concerned that empirical data for large IDI's has not been provided to support transparency in the changes proposed and encourage a more thorough study of large IDI's to generate a fair and balanced approach.

Many of our concerns were included in our comment letter of July 2, 2010, in response to the April 2010 Proposed Rule (April NPR). The comments below are offered for your consideration:

1. Given the change to an asset based calculation, we suggest that certain assets be excluded from the base including goodwill, cash and cash equivalents, and prepaid FDIC assessments already paid into the DIF.

2. Weightings of 30%, 50% and 20% for CAMELS, Asset Related Stress and Funding Related Stress, respectively are not reflective of the risk to the DIF. For large IDI's the risk of failure is most closely tied to liquidity which should be the primary component of any risk-based assessment methodology. Therefore, we recommend an increase in the 20% Funding Related Stress factor and a decrease in the 50% Asset Related Stress factor to align the factors with the risks imposed on the DIF. Furthermore, the ratings within the CAMELS section should be adjusted to give more weight to liquidity.

3. The Loss Severity Factor: We understand that 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 creates an extremely complicated calculation which has never been used before and will likely result in unintended consequences. We believe the overall NPR would be enhanced with the removal of this fundamentally flawed Loss Severity Factor. If, however, this factor is included we offer the following comments:
    a. A 32% growth rate increase in Insured Deposits is not realistic for a large IDI. It is difficult to understand how such deposits would grow to that extent immediately preceding a bank failure. This seems to be an example of utilizing smaller bank failure

data applied to large IDI's generating an unintended and improper result. IDI's with higher percentages of insured to uninsured deposits will be penalized. In fact, with the reporting of unlimited deposit insurance on noninterest-bearing deposits beginning on 12/31/10, percentages of insured to uninsured deposits will increase for all IDI's. The calculation of the Loss Severity Factor should, at the very least, be calibrated to account for this change. In the unlikely event that such deposit growth did occur, it would most likely generate cash and short-term investments, not prorated asset increases into loans, investments, etc. which increase the loss factor. The proration concept should be removed from the calculation and replaced by a methodology that is more likely to mirror liquidity-based asset growth.

b. The All Other Loans category under the proposal includes nondomestic loans, regardless of type. The All Other Loans category carries the highest loan loss rate at 51%. To be fair, the rules should be adjusted to allow for these loans to be categorized by type (1-4 Residential, Revolving Home Equity, etc.) and use the applicable loss rate.

c. Revolving Home Equity Loans are assigned a loss rate of 41%, the same loss rate as assigned 1-4 Family Residential Close-End Junior Liens. First lien Home Equity Loans should be segregated and allocated a lower loss rate than Junior Lien Home Equity Loans. Using the 1-4 Family Residential criteria, the loss rate would be reduced to 19.4%.

d. The All Other Assets category is not granular enough. For instance, many banks have portfolios of Bank Owned Life Insurance for which the underlying assets are identical to Investment Securities that carry loss rates of 0-15%. Including these assets with a global 75% loss factor is far too punitive.

e. Weighting for the Noncore Funding/Total Liabilities should be increased. Since this measure is more easily managed by IDI's, it would appear fairer to give it a higher weighting.

4. Within the proposal, the FDIC would have the ability to adjust the total score up or down by a maximum of 15 points due to risk factors not captured in the scorecard. We are concerned that this subjective factor could lead to even higher assessments without true transparency.

5. Within the Asset Related Stress, the Tier 1 Leverage Ratio (the only Capital ratio) is weighted at only 10%. This is too low and inconsistent with the CAMELS ratings which have the highest weightings in Capital and Management categories.

6. The Concentration Measure includes Leveraged Loans, Nontraditional Mortgages and Subprime Consumer Loans which are not incorporated in regulatory reporting (Call Reports). Definitions are not readily available and in use today and this could easily be inconsistently applied among banks. We believe this measure should be reconsidered and removed from the calculation. If not, inclusion of Interest Only Mortgages should be removed. Due to more restrictive underwriting metrics, these mortgages are not indicative of high loss content or excessive risk to the DIF. A 35% overall weighting for the Concentration Measure is too high and consideration should be given to applying different weightings to each individual concentration measure.

7. Balance Sheet Liquidity Ratio – Banks should be given credit for agency backed available-for-sale residential mortgages securities. These securities meet the liquidity requirement of being readily convertible into cash. Importantly, the BASEL Committee on Banking Supervision does include such securities in their liquidity ratio calculations.

8. The Credit Quality Measure for Underperforming Assets provides equal weighting of accruing restructured loans with past due and nonaccrual loans. Given the confusion concerning the definitions of troubled debt restructurings (TDR's) and some views that "once a TDR, always a TDR" we believe accruing restructured loans should be removed from this calculation, or at least, included at a haircut percentage.

9. We believe that the definition of brokered deposits should exclude deposits resulting from balances swept into an insured depository institution from customer brokerage accounts at an affiliated broker-dealer. Such deposits are akin to core banking deposits and do not reflect the risk generated by traditional brokered deposits.

10. Weighting for the Core Deposits/Total Liabilities should be increased. This is another example of a metric that IDI's can more directly influence.

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