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January 3, 2011

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

Re Proposed Rule Regarding Assessment Large Bank Pricing.
Part 327
RIN 3064 AD-66

Dear Secretary Feldman:

This letter is submitted by TCF Financial Corporation on behalf of its affiliate, TCF National Bank ("TCF"), in response to the Notice of proposed rulemaking and request for comment regarding assessment system revisions applicable to large institutions, published in the Federal Register on November 24, 2010. TCF Financial Corporation ("TCF") is a Wayzata, Minnesota-based national bank holding company with $18.3 billion in total assets. TCF, through its bank subsidiary TCF National Bank, has 440 banking offices in Minnesota, Illinois, Michigan, Colorado, Wisconsin, Indiana, Arizona and South Dakota, providing retail and commercial banking services. TCF is the 13th largest bank-owned commercial leasing and equipment finance business operating in all 50 states. TCF also conducts commercial inventory finance business in the U.S. and Canada. This letter will address the FDIC's proposed rule and request for comment to revise the assessment calculation applicable to banks with greater than $10 billion in assets (large institutions). TCF appreciates the opportunity to comment and respectfully requests that the FDIC consider our suggestions.

The Board is proposing a new assessment calculation formula for large institutions, which makes significant changes to its current assessment system. The amendments are intended to better measure the risk posed by institutions covered by the Deposit Insurance Fund. The proposal provides a methodology that makes use of information on how institutions would perform in times of financial stress and adjusts the assessment calculations accordingly, attempting to charge higher insurance costs to those institutions that pose the greatest threat to the fund. The proposed rule adjusts the current assessment range for all institutions. Under the Dodd-Frank Act the FDIC is required to offset the results of increasing the reserve ratio from 1.15 to 1.35 against banks with less than $10 billion in assets. TCF believes pricing discrimination based solely on size is unwise and will lead to unintended consequences.

We have significant concerns with certain aspects of the proposed rule. A healthy banking system is a critical component of the U.S. and global economy. For certain healthy and strong performing institutions, such as TCF, the proposed rule will increase FDIC insurance costs. The revised assessment system would negatively impact the ability of TCF and similar financial institutions to make home loans or extend consumer lines of credit or offer loan modifications to existing borrowers who cannot make their current payments. Banks may also reduce credit availability to commercial customers diminishing their ability to expand business and hire new employees.

General Comments:

1. **Implement tiered pricing for banks between $10 billion and $100 billion**

   TCF suggests that the FDIC consider implementing a tiered pricing approach for banks between $10 and $100 billion in assets to more fairly distribute the fee that is being assessed against the large banks versus small banks and the *too big to fail* banks.

2. **Adjust the impact between large and small bank rates**

   Of the 340 failed institutions since 2000, as listed on the FDIC website, only 10 were over $10 billion. We believe the base rate for large banks, adjusted for risks related to banks of all size, is too high while banks that are less than $10 billion receive a significant windfall reduction in rates regardless of risk.

   The proposed calculator strongly favors a small bank compared with a large bank even when both banks have the same performance. If you look at two banks, one with $9.5 billion in assets and one with $10.5 billion with the same exact score in terms of bank performance measures, and loss severity impacts, the large bank is severely penalized. As an example Bank A, a large bank with an assessment base of $10.5 billion and a total score of 79.5 would pay $26.6 million in FDIC insurance costs. Bank B with a $9.5 billion assessment base and the exact same performance would pay $12.7 million in FDIC insurance. Bank A would pay $0.025 per assessable asset for insurance and Bank B would pay $0.013 per assessable asset. While the actual difference between the two banks depends on where on the performance scale the banks reside, TCF believes the discrepancy between what a large bank pays vs. a small bank is too extreme especially as you look at banks with performance scores greater than 60.

We encourage the FDIC to revisit the rates for large and small banks before finalizing this proposal.

3. **Risks of large banks are not all the same**

The FDIC intends to charge large banks higher risk based premiums to compensate for the higher risks these institutions pose to the Fund. However, the largest banks that participated, in part, in creating the current financial industry crisis due to perceived and actual high risk behavior will be able to continue such behavior without higher insurance premiums under the proposed scorecard. Subprime loan origination programs, originate to sell models, use of credit derivatives with high risk counterparties, trading in derivatives and investing in lower quality investments, including Fannie Mae and Freddie Mac preferred stocks led to the quickness and severity of the crisis. None of these higher risk activities are captured in the score card. TCF did not participate in any of these activities and has been harmed by the resulting effects. We do not believe TCF has as high a risk profile to the Fund as the largest banks pose based on their activities and are being scored as if we are as high risk under the proposed method. We believe the FDIC should re-review the scorecard to consider adding these higher risk activities and changing the weighting to place higher costs on such activities.

4. **FDIC judgmental adjustments to calculated scores**

The proposal provides the FDIC the ability to modify a bank's overall score 15 points. As a bank moves up the scale in terms of overall score, the ability of the FDIC to impact the amount of insurance a bank would pay is dramatic as demonstrated in the example below:

$'s 000	Overall Score	Calculated bps	Assessable Base	Annual FDIC Insurance Expense
Calculated Score	75.00	21.87	$15,000,000	$32,805
FDIC Upper Limit (+15)	90.00	35.00	$15,000,000	$52,500
FDIC Lower Limit (-15)	60.00	13.08	$15,000,000	$19,620

TCF believes the FDIC should consider reducing its judgmental adjustments limit to a smaller more reasonable number. We also believe the FDIC should publish guidance to banks on what metrics or reasons the FDIC might be inclined to adjust a calculated score.

Specific Comments:

The FDIC seeks comment on a list of specific questions about the proposed rule. The following are TCF's comments on specific questions.

1. Deposit Insurance Pricing System

   Question 1(g:) Should the balance sheet liquidity ratio be computed as proposed?

   TCF Comment: The proposed rule uses information from the Call Report to calculate the balance sheet liquidity ratio. The line from the Call Report for federal funds purchased and repos includes both long term and short term maturities. As a result, the calculation would include both short term and long term liabilities. TCF believes the balance sheet liquidity ratio should only include short term liabilities as long term borrowings through term fed funds or repos with remaining maturities over one year are generally not a risk to liquidity, especially if secured.

2. Performance Scorecard

   Question 2(a): Are the proposed weights assigned to the performance scorecard components and measures appropriate?

   TCF Comment: The scorecard weighs credit quality the same as concentration measures. Both the areas are 35% of a bank's ability to withstand asset stress. TCF does not believe that it makes sense to treat the categories the same. The categories in credit quality are loans with known issues such as criticized and classified loans, or underperforming assets where the categories in the concentration measure are areas where loans could be, and in TCF's case many are, performing and therefore present much lower risk to the bank. However, the scorecard treats both categories the same as it relates to the bank's ability to withstand asset stress.

   TCF Comment: TCF believes the definition used for leveraged loans does not follow industry standards. The FDIC has defined leveraged loans as;

   - Loans or securities where proceeds are used for buyout, acquisition, and recapitalization.
   - Loans or securities with a balance sheet leverage ratio (total liabilities/total assets) higher than 50 percent or where a transaction resulted in an increase in the leveraged ratio of more than 75 percent. Loans or securities where borrower's operating leverage ratio (Total debt/trailing 12 month EBITDA) or (senior debt/trailing 12 month EBITDA) are above 4.0 times EBITDA or 3.0 times EBITDA respectively. For purposes of this calculation, the only permitted EBITDA adjustments are those

adjustments specifically permitted for the borrower in their credit agreement.
- Loans or securities that are designated as highly leveraged transactions (HLT) by a syndication agent.

Traditionally leverage is calculated as total liabilities/net worth or total liabilities/tangible net worth. In the 50% scenario as stated in the definitions of leverage loans, that would result in leverage under a traditional calculation of 1:1 or better. Historically, leverage of 3:1 has been deemed an acceptable level for the industry. Many loans in a typical bank's portfolio could fall into this category as defined by the FDIC. Placing such a stringent definition that is dramatically different than how the industry has operated historically will cause banks to reduce the number of loans or lines of credit issued to businesses, especially small businesses.

TCF Comment: The calculation treats performing TDR loans the same as all other underperforming loans. In many cases TCF will make modifications to loans either due to market pressures or as an alternative to foreclosure if the bank determines it can collect the loan under the modified terms. Bifurcating loans under the definition of troubled debt restructuring between performing and non-performing would allow the calculator to change the impact between the two pools of loans. Performing TDR loans pose less credit risk to a bank than do non-performing TDR loans.

TCF Comment: Under the bank's performance score the calculator treats well-secured delinquent or non-accruing loans the same as loans that are unsecured. While both loans pose a risk to the bank, having a well secured interest dramatically changes the impact the loan would have on the bank should the loan go into default and collection workout.

Question 2(b): Are the cut off values for the risk measures appropriate?

TCF Comment: The calculation considers a borrower with a low FICO score who is current on their mortgage and in a better than average shape from a debt to income ratio standpoint as a credit risk. Given the current state of the U.S. economy a large portion of borrowers have slipped below the 660 or lower FICO score (depending on the product/collateral) after loan origination. If those loans are performing and the customers have a better than average debt to income ratio, they pose less of a credit risk. More granularity in breaking down the high risk concentration measures to reflect low FICO performing vs. low FICO non performing would improve this scorecard.

The new proposed formula includes a score based on criticized and classified loans and unfunded commitments on construction and development loans. A bank receives credit only for the "allowance for loans and lease losses". The proposed rule should allow credit for reserves on unfunded commitments reported in the "other liabilities" section of a bank's Call Report.

3. Loss Severity Measure

Question 3(a): Are asset haircuts and runoff assumptions for the loss severity measure appropriate?

TCF Comment: One specific area of the loss severity score is the expected loss from "other loans" on the bank's balance sheet. The calculation assumes a bank will recover only 49% of loans/leases in this category. TCF has a large balance in this category made up of equipment leases. It does not seem reasonable that on average a bank would only recover 49% of the net value of leased assets as they are a secured asset that the bank could recover and sell if needed. TCF's experience in equipment leasing is a loss in event of default in the range of 28-30%. After applying the probability of default, the loss on the related asset base is much smaller. We believe that equipment leasing should be broken out from the "other loan" category since the loss severity would not approach the level assumed in the scorecard.

Question 3(b): Are asset adjustments due to liability runoff and capital reductions appropriate as described in the loss severity measure?

TCF Comment: The proposal does not define how often the FDIC will update runoff and capital reduction assumptions for the loss severity scorecard. Given changing market conditions outdated runoff assumptions will have large impacts on calculating the loss severity score. There is a wide variation in the amount of time, money, and effort that banks may devote to asset recovery efforts. Using unilateral runoff assumptions does not factor in any regional influences or loan structures which vary by bank. Also, the FDIC averages do not consider key measures of loss, such as loan to value ratios, which vary greatly among banks. The use of the proposed FDIC averages in this calculation is misleading. TCF would not grow to the size contemplated by the formula nor would it expect to experience losses as great as provided in the formula given the secured, lower risk nature of its balance sheet. This lower risk is evidenced by significantly lower charge off rates as all loan and lease categories are compared with banks over $10 billion as published in the FDIC quarterly reports over the span of the last 3 years.

Question 3(c): Are the proposed weights assigned to the loss severity measure appropriate?

TCF Comment: Under the proposal for the loss severity measure the calculation of loss severity dramatically impacts a bank that has large core deposit balances and a conservative debt structure of secured borrowings. Under the current proposal a bank with a long history of generating profits could be required to pay more for FDIC insurance vs. a bank that is losing money based solely on how the loss severity number is multiplied by the bank's performance score. The bank performance score is intended to predict the probability of failure and the loss severity calculation is intended to predict the "cost" to the Fund in the case of failure, however TCF believes there is not enough weight placed on the bank performance score. The loss severity spread of .8 to 1.2 is too wide as it relates to calculating the overall impact of the bank's total performance score. Under this proposal you may have a bank with a much worse track history in terms of performance, end up paying less in FDIC insurance costs due solely to how the loss severity measure is calculated. TCF believes more weight should be placed on the bank performance score and less on the loss severity score.

Question 3(e): Should any other measures be added? Should any other measures be removed or replaced?

TCF Comment: The proposed rule calculates potential losses by taking projected assets available to cover insured depositors and multiplying that number by a percentage, using the ratio of insured depositors to total depositors. The application of this calculation results in assumed payment from the Fund to a percentage of uninsured depositors and/or unsecured creditors, who are not entitled to any FDIC insurance protection and who the Fund is not required to protect. This in turn results in an overstated FDIC loss. The calculation formula should be revised to eliminate any payments to persons or entities not covered by the FDIC insurance protection.

If you have any questions or would like to discuss any of the issues raised in this letter, please contact me at 952-475-6476.

Sincerely,

Thomas F. Jasper
Executive Vice President and Chief Financial Officer

c: William A. Cooper, TCF Chairman and Chief Executive Officer