SUNTRUST

McHenry Kane
Vice President
Attorney

SunTrust Banks, Inc.
303 Peachtree Street, N.E.
Suite 3600
Atlanta, Ga. 30308
Tel 404.588.8627
Fax 404.230.5387
mchenry.kane@suntrust.com

May 27, 2011

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429-9990
Attn: Comments
coredepositstudy@fdic.gov

Re: Adjustment Guidelines

Ladies and Gentlemen,

On behalf of SunTrust Bank, I would like to take this opportunity to provide certain comments to the Federal Deposit Insurance Corporation's ("FDIC") notice of proposed rulemaking that would determine how discretionary adjustments would be made to the total scores used in calculating the deposit insurance assessment rates of large and highly complex insured institutions (the "NPR").

First, SunTrust would like to applaud the FDIC for proposing a process that is designed to ensure that the adjustment process is fair and transparent and results only in adjustments that are well-supported. We genuinely appreciate the efforts and procedures set forth in the guidelines to meet these goals. In particular, permitting requests from the industry for adjustments reflects your willingness to work with financial institutions and desire to reach fair and just results. Also, only permitting adjustments that are material goes a long way towards allaying fears of capricious or arbitrary application of these rules. SunTrust acknowledges your responsiveness to those concerns that were raised by the industry in earlier comment letters and thanks you for addressing these concerns in this NPR.

Second, we find it difficult to reconcile the FDIC's public remarks similar to those made in "Supervisory Insights: Regulatory Actions Related to Foreclosure Activities by Large Servicers and Practical Implications for Community Banks,"[1] in which the FDIC describes how it encourages institutions to avoid unnecessary foreclosures and consider loan modifications, with the FDIC's rules that classify performing restructured loans as both underperforming assets for the life of the loan and as criticized and classified items for the life of the loan to the extent the restructured loan meets other criticized or classified criteria, resulting in higher deposit insurance premiums to institutions that enter into loan modifications with borrowers. The final rule on the new assessment scheme (the "Final

[1] http://www.fdic.gov/news/news/press/2011/pr11082.html. See also FIL-35-2007, Working With Residential Borrowers: FDIC Encourages Institutions to Consider Workout Arrangements for Borrowers Unable to Make Mortgage Payments, http://www.fdic.gov/news/news/financial/2007/fil07035.html; FIL-76-2007, Servicing for Mortgage Loans: Loss Mitigation Strategies http://www.fdic.gov/news/news/financial/2007/fil07076.html.

Rule")[2] suggested that the FDIC may address the issue by its discretionary adjustments; however, this issue is not addressed in the NPR. While it may be supported by evidence and perfectly reasonable for the FDIC to allocate greater risk to restructured loans for purposes of risk assessing financial institutions, such allocation undermines the FDIC's public position that it encourages financial institutions to work to keep borrowers in their homes. If the FDIC is committed to encouraging financial institutions to work with defaulting borrowers to restructure loans, then the FDIC should not actively penalize financial institutions for doing so, particularly if such restructured loans are performing. In light of public statements made by the FDIC that it encourages financial institutions to work with borrowers who have defaulted to restructure loans, we would like the FDIC to specifically show how it will encourage financial institutions to restructure such loans through the discretionary adjustment in light of how the Final Rule, at present, penalizes financial institutions for restructuring loans with borrowers.

Third, SunTrust requests that the FDIC clarify certain terms used in the NPR in order that compliance with any final rule would be straightforward. With respect to the definitions for the proposed peer groups, it is not clear whether mortgage loans plus mortgage backed securities are intended to be limited to residential mortgage loans plus residential mortgage backed securities or whether the intention is also to include commercial real estate loans and commercial real estate backed securities. Furthermore, it is unclear whether "mortgage loans" is meant to encompass home equity lines of credit also or only first lien mortgage loans.

Fourth, it is not clear whether the regional offices of the FDIC will suggest discretionary adjustments or whether the national office of the FDIC will make such suggestions based upon a review of data received. SunTrust would advocate that such decisions be left to the national office of the FDIC because that would enhance the impression that the FDIC is taking into consideration the whole banking industry in determining outliers in light of how hard the FDIC has worked in this NPR to lend credibility and fairness to the entire process.

Finally, we note, however, that because of the short-time from when a financial institution receives notice of a potential discretionary adjustment to the end of the relevant quarter (approximately fifteen (15) days), financial institutions will not have much time, if any, to make meaningful changes to reduce risk. It has been understood by SunTrust that the FDIC evaluates the risk of an institution in assessing deposit insurance in part to discourage risky banking practices and encourage safe banking practices; however, this goal will not be fully realized if financial institutions do not have a meaningful opportunity to make adjustments to minimize its risk. Therefore, we would ask that the FDIC consider more forewarning of a potential discretionary adjustment that increases an institution's deposit insurance assessment.

[2] 76 FR 10672, 10692; 2011 WL 663989 (F.R.).

Regards,
McHenry Kane
Vice President and Attorney
303 Peachtree Street, N.E.
Suite 3600
Atlanta, Ga. 30308
Tel: 404-588-8627
Fax: 404-230-5387
mchenry.kane@suntrust.com