September 8, 2006

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

Re: Deposit Insurance Assessments – Designated Reserve Ratio
RIN 3064-AD02
71 FR 41973 (July 24, 2006)

Dear Mr. Feldman:

America's Community Bankers (ACB)[1] is pleased to comment on the Federal Deposit Insurance Corporation's (FDIC) proposal concerning the designated reserve ratio for all insured depository institutions.[2] This is one of several proposals recently issued by the FDIC to implement the Deposit Insurance Reform Act of 2005 (Reform Act).[3] Under the Reform Act, the FDIC must by regulation set the Designated Reserve Ratio (DRR) for the Deposit Insurance Fund (DIF) annually within a range of 1.15 percent to 1.50 percent of estimated insured deposits. In setting the DRR for any year, the FDIC must consider the risk of losses to the DIF in the current and future years, economic conditions generally affecting insured depository institutions, prevention of sharp swings in assessment rates for insured depository institutions and other factors the FDIC deems appropriate. Any change to the DRR in the future must be made through regulation after notice and opportunity for comment. The FDIC is proposing to initially set the DRR at 1.25 percent.

ACB believes that the FDIC should draw upon the maximum level of flexibility provided under the Reform Act to assess premiums in an even and balanced way and to build up the DIF across an appropriate period of time in order to allow institutions enough time to prepare for this new, significant expenditure. ACB encourages the FDIC to remain flexible while keeping the reserve ratio within the allowable range of 1.15 and 1.50. The Reform Act grants the FDIC the authority to manage within this range as a way of maintaining stability within the banking industry. Volatility in any form is undesirable for all insured depository institutions, and ACB strongly urges the FDIC to initially move towards their targeted DRR at a slow and steady pace as well as maintain such an approach in the future should the reserve ratio fall below the targeted DRR.

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[1] America's Community Bankers is the national trade association committed to shaping the future of banking by being the innovative industry leader strengthening the competitive position of community banks. To learn more about ACB, visit *www.AmericasCommunityBankers.com*.
[2] 71 Fed. Reg. 41973 (July 24, 2006).
[3] The Reform Act was included as Title II, Subtitle B of the Deficit Reduction Act of 2005, Public Law 109-171, 120 Stat. 9 (February 8, 2006).

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It is understandable that the FDIC would desire to build up the reserve ratio to its target as soon as possible. However, ACB believes that it would better serve the banking industry as a whole to slowly build up the reserve ratio in an effort to ease the transition burden and associated shock to the overall banking system. We urge the FDIC to provide for a smoother transition by initially building up the reserve ratio over a three-year period, at a minimum.

Finally, we request that the FDIC provide further analysis on setting the DRR at 1.25%. ACB understands that it would not be prudent to set the target at the minimum of the range outlined in the Reform Act (i.e., 1.15%), however, the rationale for the 1.25% target is unclear. We believe it would be worthwhile to publish, in the final rule, a more in-depth explanation of the FDIC's position.

ACB appreciates the opportunity to comment on this important issue. If you have any questions, please do not hesitate to contact the undersigned at (202) 857-3121 or via email at pmilon@acbankers.org or Jodie Goff at (202) 857-3158 or via email at jgoff@acbankers.org.

Sincerely,

Patricia A. Milon
Chief Legal Officer and Senior Vice President,
Regulatory Affairs