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August 15, 2006

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Subject: RIN 3064-AD08 (One-Time Assessment Credits)
RIN 3064-AD02 (Designated Reserve Ratio or "DRR")

Dear Executive Secretary Feldman:

Nationwide Bank is pleased to comment upon the above referenced proposed rules. Nationwide applauds the effort to build a sound and fair deposit insurance system. However, to address the potential for unintended adverse consequences under the proposed rules that could impact institutions like Nationwide Bank, we recommend a phased-in approach of the DRR and the one-time credit.

The proposed rules would implement the Federal Deposit Insurance Reform Act of 2005 which, among other things, eliminated the fixed designated reserve ratio of 1.25%, establishing a range of between 1.15% and 1.50% and directing the Board of the Corporation to set and publish annually a DRR for the Deposit Insurance Fund ("DIF"). The proposed rules also would implement a one-time assessment credit to eligible insured depository institutions which are institutions that paid an assessment prior to December 31, 1996, by establishing a limit on the credit of up to 90% of an institution's assessment.

Nationwide Bank supports a sound and fair deposit insurance system. It's a positive for soundness to the system that all institutions be required to contribute. Such an approach reflects a truer insurance mechanism of spreading risk through the law of large numbers. Under the current system, we note that 94.5% of all institutions and 98.6% of the assessment base (the "I-A category") have paid no premiums since 1996. We think that this "zero" segment drives the DRR down and negates the insurance mechanism of broad based risk spreading.

Thus, while Nationwide Bank applauds a system under which all institutions contribute, we are concerned that the one-time assessment credit together with fixing the DRR at 1.25% will resemble the current system by undermining contributions from a broader base. A 90% credit to pre-1997 institutions would have an adversely disproportionate impact to post-1996 institutions by forcing them to abruptly and disproportionately subsidize the "zero" segment for long past contributions. Such an impact could be viewed as creating a permanent bias in the system against post-1996 institutions.

One way to ease the harsh impact of the proposal to post-1996 institutions is to phase in the DRR. For example, the DRR could start at 1.20% and phase into 1.25% over a five year period. We question 1.25% as the appropriate starting point given the low number of failures (four in 2004). Setting a 1.20% starting point is well within the law's range and reflective of the current reserve ratio.

Also, the one-time credit should be phased in and not allowed to be exhausted up to 90% all at once. To do so treats the 90% limit as a floor rather than a ceiling as intended by Congress ("[t]he amount of a credit to any eligible insured depository institution under this paragraph *may not be applied to **more than** 90 percent* of the assessments imposed upon such institution…")(Emphasis added). Section 2107(a) of the Federal Deposit Insurance Reform Act of 2005.

Under a phase-in approach, an institution entitled to a credit could take up to 50% of the institution's allowable credit for an assessment period going forward. Under a second approach, , institutions with available credits would be permitted to use up to x basis points of credit to offset assessments in any one year. Such institutions would be required to pay any amount in excess of the x basis points in cash without resorting to credits. A third approach would be to implement a graduated credit schedule to offset assessments.

These approaches would be consistent with the legislation in strengthening a workable insurance mechanism through a broad contributing base. Consistent with an insurance mechanism, such approaches facilitate responsible risk avoidance and risk management techniques.

We thank the Board of the Corporation for consideration of our views.

NATIONWIDE BANK

John S. Skubik
President & Chief Executive Officer