Massachusetts Bankers Association

September 22, 2006

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

Re: RIN 3064-AD02, Designated Reserve Ratio

Dear Mr. Feldman:

On behalf of our 210 commercial, savings, cooperative, and savings and loan members throughout Massachusetts and New England, the Massachusetts Bankers Association (MBA) appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) proposed rule regarding the designated reserve ratio for the Deposit Insurance Fund (DIF). Under the Federal Deposit Insurance Reform Act (FDIRA) of 2005, the FDIC is required to set the Designated Reserve Ratio (DRR) for the DIF within a range of 1.15 percent to 1.50 percent of estimated insured deposits on an annual basis.

The law requires the FDIC to consider the risk of losses to the DIF in the current and future years and the economic conditions generally affecting insured depository institutions. In addition, the FDIC should prevent sharp swings in assessment rates for insured depository institutions and may consider other factors deemed appropriate. The FDIC is proposing to set the DRR at 1.25 percent.

MBA believes that the FDIC should use the flexibility Congress provided under FDIRA to prudently manage the fund and assess premiums in a balanced manner that builds reserves over an appropriate period of time. We are concerned with many of the public statements from members of the FDIC board in recent weeks that indicate the FDIC will pursue an aggressive schedule to build up the fund. One of the more important results of the enactment of FDIRA was the removal the mandatory 23 basis point "cliff". It would be unfortunate if the FDIC, while no longer constrained by the statutory mandate, continued to pursue a similar policy. We urge the FDIC to build up the reserve ratio over at least a two-year period.

Finally, we believe that the FDIC should provide additional data and analysis that justifies setting the DRR at 1.25%. While we agree that setting the target at the minimum of the range (1.15%) might not be prudent, the rationale for maintaining the current 1.25% target is unclear. MBA believes the FDIC should provide a more detailed explanation in the final rule.

Thank you again for the opportunity to comment on this proposal. If you have any questions or need additional information, please contact me at (617) 523-7595 or via email at jskarin@massbankers.org.

Sincerely,

Jon K. Skarin
Director, Federal Regulatory & Legislative Policy

Massachusetts Bankers Association, Inc.
73 Tremont Street, Suite 306
Boston, Massachusetts 02108-3906
Tel: 617-523-7595/Fax: 617-523-6373
http://www.massbankers.org