ING DIRECT

September 22, 2006

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

RE: RIN 3064-AD02:
Proposed Rulemaking Setting the Designated Reserve Ratio for 2007
(Supplemental Filing)

Dear Mr. Feldman:

On August 16, 2006, ING Bank, fsb ("ING DIRECT") submitted extensive comments ("August 16 letter") regarding rules that had been proposed by the Board of the Federal Deposit Insurance Corporation ("FDIC") implementing of the Federal Deposit Insurance Reform Act of 2005 ("FDIRA"). In our August 16 letter we addressed certain matters related to the designation of the Designated Reserve Ratio ("DRR"). We specifically recommended that in order to effect a smooth transition to the new deposit insurance program the FDIC Board should set the DRR initially at the lower end of the statutorily-mandated reserve range and establish a premium structure that recognizes the value of building up the reserves in the DIF gradually over a period of years rather than building the reserve balance abruptly by imposing substantial premiums in the short-term. This letter is intended to supplement the comments we previously submitted regarding the DRR and is submitted within the time period for submitting comments regarding the designation of the DRR.

A Five-Year Plan

On pages 8-10 of our August 16 letter we set out the rationale for initially setting the DRR at the lower end of the statutorily authorized 1.15% to 1.5% range and for implementing a premium structure that builds DIF's reserves gradually over time. We wish to supplement those previous comments by specifically recommending a five year plan to reach the desired DRR and we request that the FDIC provide insured institutions with an indication of how long the FDIC expects to take to reach the DRR.

In our August 16 letter we had suggested that one way in which the FDIC could "lessen the hardship on new growth institutions" would be to "stretch out the catch-up assessment … in a way that delays achieving the DRR."[1] In that letter we also noted our concurrence with the collective recommendation of the American Bankers Association, America's Community Bankers, the Consumer Bankers Association and The Financial Services Roundtable that the FDIC should utilize the flexibility conferred on it by Congress to "assess premiums in an even and balanced way across an appropriate period of time rather than endeavor to build up the Deposit Insurance Fund (DIF) with considerable short-term premium increases"[2] and pointed out that it was the understanding of the Congressional Budget Office ("CBO") that in implementing FDIRA the FDIC would ***try to set premiums at levels considered likely to achieve the desired reserve ratio over several years***.[3] [Emphasis added]

We believe that a Five Year Plan should be adopted by the FDIC Board to reach the desired DRR. Support for such a Plan can be found in the FDIC's seminal study *Keeping the Promise: Recommendations for Deposit Insurance Reform* that was published in April 2001 under the signature of then-Chairman Donna Tanoue. In that study the FDIC projected rebuilding the fund in a high-loss scenario. Even in the case of a "high-loss scenario" the FDIC's study noted that instead of premiums rising rapidly "premiums [could] rise gradually … and then decrease gradually" over a ten (10) year period.[4]

FDIRA itself provides further support for a "five-year plan" to reach the desired capitalization level. In the section of the Act dealing with the situation where the DIF falls below 1.15%, Congress requires the FDIC to adopt a plan to rebuild the fund over a period of five (5) years. (12 USC 1817(b)(3)(E)(ii)). If Congress set five years as the statutory period to bring the Fund up to 1.15%, which is a more extreme situation than rebuilding the Fund even higher to 1.25%, then five years would certainly be a reasonable period to bring the Fund up to 1.25%.

FDIRA provides the FDIC with ample authority to raise premiums quickly if unforeseen losses to the Fund or other contingencies develop at any time within the five year period. That being the case, initially implementing a plan during this transition period that would spread the catch-up assessments over a period of five years would in no way tie the FDIC's hands or impede the Agency's ability to alter or refine the plan if such action were warranted. Based upon inputs[5] received from presumably objective sources

---

[1] Comment letter submitted to the FDIC by ING DIRECT dated August 16, 2006; page 9.
[2] Letter dated June 12, 2006 from the American Bankers Association, America's Community Bankers, the Consumer Bankers Association and The Financial Services Roundtable to then Acting Chairman Martin J. Gruenberg.
[3] U.S. House of Representatives. Committee on Financial Services. *Federal Deposit Insurance Reform Act of 2005*. 109th Congress, 1st Session, 2005. House Report 109-67 at 28.
[4] *Keeping the Promise: Recommendations for Deposit Insurance Reform.* FDIC, April 2001 at page 14 and (chart 2) at page 15.
[5] CBO: U.S. House of Representatives. Committee on Financial Services. *Federal Deposit Insurance Reform Act of 2005*. 109th Congress, 1st Session, 2005. House Report 109-67 at 28. *Keeping the*

who understand the importance of maintaining a vibrant and well-capitalized DIF it simply makes sense to implement a five-year plan as a measured and reasonable approach to minimizing the impact on those burdened by catch-up assessments.

While it is our understanding that actual premium assessments for the first quarter of 2007 will not likely be established until the Spring of 2007, we urge the FDIC to provide insured institutions with an indication of how long the Agency expects to take to reach the DRR at the time an initial DRR is established. Such information would not only be useful but essential to institutions as they implement their financial plans for 2007.

Thank you for providing ING DIRECT with the opportunity to submit this supplemental filing. If you have any questions or if I can be of further assistance please do not hesitate to contact me at 302-255-3008.

Sincerely,

Deneen D. Stewart
General Counsel
ING DIRECT

Promise: Recommendations for Deposit Insurance Reform. FDIC, April 2001 at page 14 and (chart 2) at page 15.