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WACHOVIA

September 22, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW.
Washington, D.C. 29429

Attention: Comments

Re: RIN 3064-AD09: Deposit Insurance Assessments

Dear Mr. Feldman:

This letter is submitted on behalf of Wachovia Corporation and its national bank subsidiaries, Wachovia Bank, National Association and Wachovia Bank of Delaware, National Association (collectively referred to as "Wachovia"). In this letter, Wachovia provides its comments to the Federal Deposit Insurance Corporation's Notice of Proposed Rulemaking ("NPR") regarding risk-based deposit insurance assessments. The method and intent of determining premium assessments are very important to our company, our shareholders and our customers, and Wachovia appreciates the opportunity to comment on this proposed regulation.

Wachovia has participated with the American Bankers Association, the Financial Services Roundtable and The Clearing House Association, L.L.C. in the development of their comment letters on this NPR, and we fully support the comments contained in the letters being submitted by each of those organizations. In particular, Wachovia supports a risk-based approach for large banking organizations that determines the risk profile of those organizations by reference both to CAMELS ratings as determined by the financial institution's primary federal regulator and to long-term debt ratings. However, there are a number of areas that we believe are singularly important and merit our particular attention.

Increasing the DIF Reserve Ratio

Wachovia believes that the FDIC should take a "go slow" approach in undertaking to increase the reserve ratio of the Deposit Insurance Fund ("DIF"). Congress has provided a range in which the reserve ratio may float, allowing the FDIC latitude to adjust the target reserve ratio based on economic and risk conditions. If the FDIC determines to increase the DIF ratio too quickly, the FDIC would have to charge artificially high assessments during the next several years in order to "burn off" the one-time credits that many banks now have. Because not all institutions have the same level of credits vis-à-vis their current deposit levels, the FDIC would run the risk of creating a very uneven marketplace, as some banks would pay exorbitant assessments, while others still enjoyed the protection of the one-time credits. This could significantly affect the interest rates that each institution could afford to pay for deposits, and could lead to a significantly un-level competitive playing field. If the overall purpose of the DIF is to protect the depositor, a new framework that comprises a rational and orderly transition to a business model in which premiums are fairly assessed is needed to ensure that depositors are protected.

Risk Factors

Wachovia agrees that a 50/50 weighting of CAMELS ratings and long-term debt ratings is appropriate for large institutions. However, we also believe that the long-term debt component could be given additional weight. The debt rating is based on objective analysis of the organization's current and future strength, and provides the broadest and most impartial judgment of the organization. We also support the use of debt ratings of a financial institution's parent holding company.

Further, we strongly support a system that employs the CAMELS ratings as the institution's primary regulator determines them, and that the CAMELS ratings not be subject to further adjustment or manipulation. In this regard, we believe that the FDIC should not use "stress factors" to adjust an institution's CAMELS rating, as stress factors are already factored into CAMELS ratings (as well as long-term debt ratings). We also support the use of the composite CAMELS rating only. However, should component ratings be used, we would support assigning equal weighting to all of the components. Furthermore, in light of the uncertainty surrounding the potential for disclosure of an institution's assessment rate (and changes to that rate), it is important that the method selected does not permit "reverse engineering" through which third parties could determine an institution's confidential CAMELS components ratings.

Assessment Levels

It is critically important that assessments match risk. Wachovia believes that the proposed Category I assessment range does not appropriately reflect the risk of these institutions. The FDIC has proposed a range of 2 basis points to 4 basis points for institutions in this category. These institutions represent the least risky and best capitalized and managed institutions in the country. This category has the lowest potential for failure. In addition, the large banks in Category I pose the lowest probability of Loss Given Default. These institutions have strength beyond the capital reported on balance sheets. They have diverse operations, allowing risk to be spread over multiple revenue sources. They have geographic diversity, allowing risk to be spread over many regional economies. Most importantly, they have significant franchises of loyal, core customers, as well as valuable sales and service channels. All of this makes the probability of failure low, and significantly reduces probable Loss Given Default, as other major institutions would undoubtedly step in to purchase the franchise value. The assessment structure should reflect these inherent safeguards. We therefore propose that the Category I assessment schedule allow for no more than a 1 basis point premium for these institutions, because not only do they present low risk, but the risk also is not very volatile. In no case should the premium for these institutions go beyond 2 basis points.

Holding Companies

Many holding companies hold several separate financial institution charters. While these separately chartered institutions provide separate insurance levels, we see little difference in risk levels among the charters. The holding company serves as a source of strength equally for each subsidiary, and it would be harmful for the entire holding company should any of its subsidiaries fail. In addition, it adds unnecessary complexity to have premiums using totally different calculations and factors, depending upon the size of the subsidiary institutions. We therefore recommend that the assessment for all financial institution subsidiaries be determined by that of the largest subsidiary institution. We also believe that new charters within an existing holding company structure should be assessed similarly to the holding company's largest subsidiary institution, rather than at the high level of Category I.

Change in Assessments

It is important that the FDIC provide adequate advance notice to an institution prior to changing assessments. This will allow the institution time to plan for a change in assessments; and, if necessary, restructure portfolios or other income and expense streams. Furthermore, we believe that the proposed change of up to 5 basis points per year without opportunity to comment is excessive. This can translate into hundreds of millions of dollars to large institutions, and should not be undertaken without adequate dialogue and planning.

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Wachovia thanks you for the opportunity to comment on this NPR. Please contact me if you have any questions.

Sincerely,

Eugene M. Katz