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## Action Alert

October 8, 2009

### FDIC PREPAYMENT PLAN FOR DEPOSIT INSURANCE ASSESSMENTS

**This Alert is a follow-up to our Federal Legislative/Regulatory Alert sent to you on October 8, 2009**, in which we discussed the FDIC Prepayment Plan for Deposit Insurance Premiums that had just been proposed and H.R. 2897, the Bank Accountability and Risk Assessment Act of 2009. This bill introduced by Rep. Luis Gutierrez, would permanently change the deposit insurance assessment base used by the FDIC from domestic deposits to a bank's total assets less its Tier 1 capital. In the previous Alert, we discussed various reasons that a change in the assessment base to total assets less Tier 1 capital would result in a more equitable deposit insurance assessment system, as well as result in over 99% of banks with less than \$1B in assets paying lower premiums, with 95% saving more than 20% on their premiums. Refer to the October 8, 2009 "Federal Legislative/Regulatory Alert" for further details on H. R. 2897 and the reasons it would result in a more equitable system of deposit insurance assessment. You may access the October 8, 2009 Alert on the [CBA website](#).

Last week at the ICBA Fall Group Committee Meetings, Diane Ellis, FDIC's Deputy Director for Financial Risk Management and Research, Division of Insurance and Research told the ICBA's Regulatory Review Committee that the **FDIC has determined that it has the statutory authority to change the assessment base for deposit insurance premiums without legislation**. As you know under the FDIC's Deposit Insurance Assessment Prepayment Plan, as proposed, premiums would continue to be assessed upon domestic deposits. However, FDIC Deputy Director Ellis indicated that comments on the proposal recommending a change in the assessment base would be appropriate, although she would not speculate on the likelihood of such a change for the currently proposed prepayment plan. **Therefore, we are recommending that you send a comment letter to FDIC before the comment deadline of October 28, 2009 recommending that the assessment base for deposit insurance assessments under the prepaid assessment plan be changed from domestic deposits to total assets less Tier 1 capital**. Almost all community banks would benefit significantly from such a change and the largest banks would pay a greater share of deposit insurance costs.

The ICBA has developed a customizable letter community bankers can use to comment on the FDIC's proposed three-year prepaid assessment proposal. CBA has also developed a comment letter on the prepayment plan that we are sending to the FDIC on your behalf. You may also use the CBA letter as a guide for your comment letter. Both letters encourage the FDIC to base deposit insurance assessments on total assets minus Tier 1 capital and make other recommendations (although not all the same recommendations) regarding the proposal. Resources that can be used in developing your comment letter may be accessed as follows:

- ICBA's Customizable Letter on the FDIC's Prepayment Plan Proposal: [Access Customizable Letter](#).
- Frequently Asked Questions on FDIC's Prepayment Plan Proposal: [Download ICBA FAQs](#).
- CBA Letter on FDIC's Prepayment Plan Proposal: [Download CBA's Comment Letter](#)

### H. R. 2897 WOULD PROVIDE FAIRNESS ON DEPOSIT INSURANCE ASSESSMENTS

In addition to sending a comment letter to the FDIC regarding the deposit insurance prepayment plan proposal, **if you have not already done so we urge each of you to contact your Congressman and ask them to consider becoming a co-sponsor of H.R. 2897**. Remember H. R. 2897 would permanently change the assessment base for FDIC deposit insurance premiums to total assets less Tier 1 capital. While we realize the Gutierrez Bill is not likely to pass Congress as a stand-alone bill, the goal is to gain

broad support for the bill and thereby get the provisions of the bill inserted into the broader regulatory reform package going through Congress.

We've heard that the Wall Street banks are lobbying hard to oppose the Gutierrez Bill. Their effort has been described as a "full-court press." The ABA has been silent on this issue, likely due to the fact they are conflicted by their largest dues-paying members. To the best of our knowledge, GBA has not taken a position on this legislation.

**The Gutierrez Bill would significantly benefit community banks, including almost all if not all the community banks in Georgia. Therefore, CBA has no conflict; we support it.**

**Please take the time to contact your Congressman to urge them to co-sponsor H.R. 2897. The real dollar benefit that would accrue to your bank in future years, if the provisions included in H. R. 2897 were to pass, is clearly worth the time involved.** We need to show strong support for this bill, if we are to get the assessment base changes included in the broader regulatory reform package.

The following resources are available to assist you in writing your letter and/or in contacting your Congressman to urge co-sponsorship of H. R. 2897:

- A sample letter for your bank to send to your Congressman can be found on ICBA's website at its Grassroots Advocacy Center at the following link: <http://capwiz.com/icba/issues/alert/?alertid=13717946&PROCESS=Take+Action>.
- A sample copy of CBA's letter to the Georgia delegation can be accessed on the CBA website, at the following link: [http://cbaofga.com/resource/resmgr/regulatory/2009\\_10\\_09\\_-\\_letter\\_to\\_repre.doc](http://cbaofga.com/resource/resmgr/regulatory/2009_10_09_-_letter_to_repre.doc)
- A copy of the more recent joint letter, with sister associations and ICBA, can be accessed at the following link: <http://www.icba.org/files/ICBASites/PDFs/ltr100709.pdf>
- Additionally, a Frequently Asked Questions Document regarding H.R. 2897 can be accessed on the ICBA website at the following link: <http://www.icba.org/files/ICBASites/PDFs/HR2897FAQ.pdf>.

**If you have questions or if we can assist you with your comment letters, to the FDIC or your Congressman, please do not hesitate to contact Steve Bridges, Carolyn Brown or Jason Pruitt at CBA.**

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