

February 9, 2012

Mr. Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Gruenberg:

Marty

I am writing to follow up on our conversation of January 30, 2012 regarding the FDIC's full coverage of non-interest bearing transaction accounts that expires under existing law at the end of this year. Many are wondering if this program can or should be extended and we believe it is critically important for the FDIC to weigh in on this matter.

The ABA has begun extensive discussions with our members about the benefits of the program both for banks and depositors, the need for liquidity in the current economic environment, and the impact on funding should the program not be extended. We also have discussed the program's costs, including the higher direct costs in bank failures, the potential for moral hazard risk, and even the political challenges required to extend the program. Having the FDIC's perspective on all these questions is very important. Because the banking industry bears the full cost of the FDIC, we urge the FDIC to provide a detailed analysis of the costs and benefits of extending this coverage.

Preliminary feedback from our members indicates a range of views. There is no question that many banks found the original program initiated by the FDIC to be very helpful in maintaining liquidity. While liquidity needs are far less today for most banks, there are certainly institutions that believe the need for the program still exists. Other banks have said that the program has served its purpose to assure funding in a crisis, but as the crisis is largely behind us, the need for the program has diminished. Still other banks have raised concerns about the 20 percent increase in FDIC's exposure by covering these accounts and the costs that entails for the industry. Finally, some banks would prefer a voluntary program with explicit risk-based pricing, similar to the original Transaction Account Guarantee program developed by the FDIC.

As we discussed, the FDIC will have a significant voice in whether Congress should extend this coverage. Therefore, it is important that the FDIC's position be well understood as soon as possible. This will help the industry understand the political challenges that would be required to extend this program and the challenges they would face should the program end.

Sincerely,



Frank Keating