



MID-SIZE BANK COALITION OF AMERICA

ASSOCIATED BANK

BANK OF HAWAII

CITY NATIONAL BANK

COMMERCE BANCSHARES, INC.

FIRST HAWAIIAN BANK

FIRST HORIZON NATIONAL CORPORATION

FROST NATIONAL BANK

FULTON FINANCIAL CORPORATION

OLD NATIONAL

PEOPLE'S UNITED BANK

RAYMOND JAMES BANK

SILICON VALLEY BANK

TCF FINANCIAL CORPORATION

THE PRIVATE BANK

TRUSTMARK CORPORATION

UMB FINANCIAL CORPORATION

VALLEY NATIONAL BANK

WEBSTER BANK

WHITNEY HOLDING CORPORATION

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

Re: Assessments: Assessment Base and Rates (RIN 3064–AD66)
Assessments: Large Bank Pricing (RIN 3064–AD66)

Dear Mr. Feldman:

On behalf of the Midsize Bank Coalition of America (MBCA), I am writing to express support for the above cited proposals by the Federal Deposit Insurance Corporation (“FDIC”) to revise its methodology for calculating deposit insurance assessments.¹

By way of background, the Midsize Bank Coalition of America (MBCA) is an *ad hoc* group formed for the purpose of providing the perspectives of midsize banks on financial regulatory reform to regulators and legislators. The 19 institutions that comprise the MBCA operate a total of 2,800 branches in 39 states, Washington D.C. and three U.S. territories. Their combined assets exceed \$315 billion (ranging from \$7 to \$25 billion) and, together, they employ more than 58,000 people. These institutions hold nearly \$230 billion in deposits and total loans of more than \$190 billion.

We appreciate the hard work of the staff and the challenges that the FDIC faces as it seeks to implement its Restoration Plan for the Deposit Insurance Fund (DIF). In this regard, we believe that the above-referenced proposals would implement a fairer and more workable assessment system that should ensure that the DIF is adequately funded on a going-forward basis. However, as noted below, we respectfully request that the FDIC reconsider its proposed definition of “leveraged loans” for purposes of determining assessments.

¹ *Assessments, Assessment Base and Rates*, 75 FR 72582 (Nov. 24, 2010); *Assessments, Large Bank Pricing*, 75 FR 72612 (Nov. 24, 2010).

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In the past, assessments have been calculated primarily by reference to the amount of a bank's insured deposits and they have not, in our view, adequately taken into account the nature and extent of other activities and liabilities that a bank and its affiliates may engage in that potentially create greater risk. Certain banks and bank holding companies that engage in diverse and complex business activities have therefore benefitted disproportionately and inappropriately because while their activities pose greater risks to the DIF and they have less traditional funding sources, the amounts that they pay to fund it are not proportionately higher than the amounts paid by smaller banks that pose less risk and/or have a more conservative source of funding.

Together, the proposed rule changes would improve upon this situation by calculating assessments by reference to a bank's total assets and by reference to the risks that it presents to the DIF. In this regard, we note and applaud the fact that assessments for large and complex banks would also depend on the ability of the bank in question to withstand asset- and liquidity-related stresses, as well as the potential effect on the DIF if the institution were to fail. At the same time, the FDIC would retain a limited ability to make adjustments for large banks in order to reflect quantitative or qualitative measures that are not adequately captured in scorecards.² We believe that this is a much more appropriate methodology that will facilitate a fairer playing field for banks of all sizes and more equitably fund the DIF. Accordingly, we strongly support the two proposals noted above and urge their implementation.

However, we note that for purposes of determining concentration risk and calculating assessments, both of the proposals would define "leveraged loans" to include, among others, commercial loans with a balance sheet leverage ratio higher than 50% or loans where a transaction resulted in an increase in the leverage ratio of more than 75%. In addition, loans that were not deemed to be leveraged at origination could become "leveraged" if they subsequently are deemed to satisfy these criteria.³ We believe these measures may discourage small business lending because a small entity's balance sheet may be affected greatly by matters unrelated to loan quality (such as fluctuations in real estate values). Moreover, many, if not most, community banks do not gather this sort of balance sheet data, but rely on credit and loan scores. We believe that in order to determine whether a loan – especially a small business loan -- should be

² *Assessments, Large Bank Pricing*, supra, n. 1.

³ *Assessments, Assessment Base and Rates*, 75 FR 72607-72608; *Assessments, Large Bank Pricing*, 75 FR 72648-72649.

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deemed “leveraged,” the FDIC should look at a number of factors and qualitative matters, including, but not limited to, the credit score of the borrower (and any guarantor), as well as the nature and extent of any security. This would reflect a more realistic assessment of the risk profile of any given loan, would increase lending and would, rightfully, reduce the number of “leveraged loans.”

We appreciate this opportunity to provide you with our comments and look forward to discussing these matters with you in the near future.

Yours Truly,

A handwritten signature in black ink, appearing to read "Russell Goldsmith". The signature is fluid and cursive, with a large initial "R" and "G".

Russell Goldsmith
Chairman, Midsize Bank Coalition of America
Chairman and CEO, City National Bank

cc: Sheila C. Bair, Chairman
Martin J. Gruenberg, Vice Chairman
Thomas J. Curry, Director
John Walsh, Director
John E. Bowman, Director

Rose Kushmeider
Christopher Bellotto
Sheikha Kapoor
Lisa Ryu
Christine Bradley
Brenda Bruno
Robert L. Burns

Jack Barnes, People’s United Bank
William Cooper, TCF Financial Corp.
Dick Evans, Frost National Bank

Philip Flynn, Associated Bank
Richard Hickson, Trustmark Corp.
Peter Ho, Bank of Hawaii
John Hope, Whitney Holding Corp.
Don Horner, First Hawaii Bank
Bryan Jordan, First Horizon National Corp.
David Kemper, Commerce Bancshares, Inc.
Mariner Kemper, UMB Financial Corp.
Gerald Lipkin, Valley National Bank
Steven Raney, Raymond James Bank
Larry Richman, The Private Bank
James Smith, Webster Bank
Scott Smith, Fulton Financial Corp.
Ken Wilcox, Silicon Valley Bank
Mike Cahill, City National Bank
Brent Tjarks, City National Bank

Mark Siegel, Locke Lord Bissell & Liddell
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