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Memo

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Date: June 9, 2009

To: Members of the U.S. Senate and House of Representatives

From: Floyd E. Stoner, Executive Vice President, Congressional Relations & Public Policy

RE: Thank You for Supporting S. 896, the Helping Families Save Their Homes Act

On behalf of the members of the American Bankers Association, I am writing to thank you for supporting S. 896, the Helping Families Save Their Homes Act of 2009, legislation that expanded the insurance limits for deposits to \$250,000 for four years and expanded FDIC's line of credit with the Treasury from \$30 billion to \$100 billion.

Expanding the deposit insurance limit provided additional protection that was particularly important to small businesses, retirees, and other bank depositors that need to protect their payrolls or life-savings.

Expanding the FDIC's line of credit also was significantly helpful in reducing banks' expenses, thus preserving resources in communities across this nation. Without this expanded line, the FDIC would have imposed a special assessment on the banking industry totaling more than \$15 billion dollars. By enacting this expanded line of credit, the FDIC has an additional cushion to rely upon – particularly for working capital purposes necessary to resolve bank failures quickly and to ensure that depositors have immediate access to their money. This increase in borrowing authority enabled the FDIC to make good on its promise to ***cut the special assessment in half***.

The cost savings from this single action was dramatic, as the special assessment originally proposed by the FDIC would have devastated the earnings of banks, particularly community banks, just at the time funds are needed most in their communities. Of course, the industry stills bears a considerable financial burden from both the regular quarterly premiums and the final special assessment. These costs will impact banks' ability to meet the credit needs of their communities, but the industry remains committed to assuring the financial strength of the FDIC. We know how important deposit insurance is to bank customers and this is why we supported the action that you have taken so strongly.

The vast majority of banks in this country are well capitalized and had nothing to do with the subprime mortgages that led to our financial and economic problems. Yet these banks bear much of the costs of cleaning up the problems created. We will continue to work with you to find ways to reduce the costs imposed on healthy

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banks and to build a strong base to support new lending as our economy emerges from this recession.

Thank you again for your vote in support of the Helping Families Save Their Homes Act.