

Updated Dec. 9, 2008

Issue: Explaining Your Temporary Liquidity Guarantee Program Decisions

Institutions are required to clearly communicate to consumers whether they are participating in the FDIC's Temporary Liquidity Guarantee Program components to provide additional protection for depositors and for bank debt. Here are some suggestions on important messages to communicate to employees, customers, directors and shareholders about each. Other than the FDIC provided information, these are just our suggestions. As always, tailor these suggestions or include your own information to accurately reflect your institution's rationale as necessary.

Transaction Account Guarantee Program (unlimited \$ guarantee of all noninterest bearing deposit accounts)

For Participating Institutions (opt-in)

FDIC Recommended Disclosure Language *(lobby notices and web site notice required)*

"[Institution Name] is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules."

GBA suggested language about why you are participating:

- The Transaction Account Guarantee Program provides customers with additional peace of mind about the safety of their deposits through Dec. 31, 2009. It's one more thing we've taken out of their worry basket.
- The program provides a guarantee for every penny of all noninterest-bearing accounts, including negotiable order of withdrawal (NOW) accounts with interest rates of 0.50 percent or less and Interest On Lawyers Trust Accounts. The program is particularly beneficial to our business clients who use these types of accounts for payroll and other day-to-day operating funds.
- Our bank pays for this additional coverage for our customers. Taxpayer money is not funding this program.

For Non-Participating Institutions (opt-out)

FDIC Recommended Disclosure Language *(lobby notices and web site notice required)*

*"[Institution Name] has chosen **not** to participate in the FDIC's Transaction Account Guarantee Program. Customers of [Institution Name] with noninterest-bearing transaction accounts will continue to be insured through December 31, 2009 for up to \$250,000 under the FDIC's general deposit insurance rules."*

GBA suggested language about why you decided not to participate:

- We chose not to participate in the Transaction Account Guarantee Program because the current \$250,000 FDIC insurance limit is more than adequate to protect all but a very few of our customers.
- There's no cause for concern to those few whose accounts exceed the \$250,000 FDIC insurance limits because our bank has adequate capital and liquidity, and we are confident those accounts remain safe.
- Only if accurate for your bank: We talked to those customers and they were confident in our stability and with our decision.
- Participation would have raised our cost of doing business, which could affect our ability to offer you better rates for loans and deposits. Banks pay for the additional coverage, not taxpayers.

Debt Guarantee Program (guarantee of newly issued senior unsecured debt for financial institutions)

For Participating Institutions (opt-in)

Required FDIC Disclosure Language – Must be included in all written materials provided to lenders or creditors regarding any senior unsecured debt issued by it on or after December 19, 2008, through June 30, 2009, that is guaranteed under the debt guarantee program:

"This debt is guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program and is backed by the full faith and credit of the United States. The details of the FDIC guarantee are provided in the FDIC's regulations, 12 CFR Part 370, and at the FDIC's website, www.fdic.gov/tlqp. The expiration date of the FDIC's guarantee is the earlier of the maturity date of the debt or June 30, 2012."

Required FDIC Disclosure Language – Must be in all written materials underlying any senior unsecured debt it issues on or after December 19, 2008, through June 30, 2009, that is **not** covered under the Debt Guarantee Program:

*"This debt is **not** guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program."*

GBA suggested language about why you decided not to participate:

- The Debt Guarantee Program gives our bank/institution an additional way to raise money that can be used to make loans to people and businesses in our community.
- Because the economy is weak, it makes good business sense to make sure we have every potential source of funding available to us.
- The program allows us to issue guaranteed longer-term debt, which improves our flexibility to make loans with longer maturities.

For Non-Participating Institutions (opt-out)

No Required FDIC Disclosure Language – However, you might consider adding the following, just for clarity, in written materials about debt issued through June 30.

*"This debt is **not** guaranteed under the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program."*

Why you chose to not participate:

- We are not participating in the FDIC debt guarantee program. We decided that we did not need access to the additional guaranteed funding to continue providing outstanding products and services to our customers.

More Temporary Liquidity Guarantee Program Resources

- FDIC Information and publications available at: www.fdic.gov/regulations/resources/TLGP/index.html
- GBA's EESA web site: www.gabankers.com/Government_Relations/grissuesEESA.asp
- Powell Goldstein Financial Institutions Group: <http://www.bankpogo.com>