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## Memorandum

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**To:** Clients and Friends  
**From:** Theodore L. Eissfeldt  
**Date:** November 25, 2008  
**Subject:** Temporary Liquidity Guarantee Program – Final Rule

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On November 21, 2008, the Federal Deposit Insurance Corporation (“FDIC”) adopted the Final Rule (“Final Rule”) implementing the Temporary Liquidity Guarantee Program (the “TLGP”). There are two components to the TLGP: the guarantee of newly issued senior unsecured debt of banks, thrifts and certain holding companies (the “Debt Guarantee Program”) and unlimited deposit insurance coverage until December 31, 2009 on funds in non-interest bearing deposit transaction accounts (the “Transaction Account Guarantee Program”). The Final Rule made many substantive changes to the Interim Rule that had been announced on October 14, 2008 including, but not limited to:

### Debt Guarantee Program

- The definition of senior unsecured debt now excludes short-term debt of 30 days or less.
- The debt guarantee will be triggered by payment default rather than bankruptcy or receivership.
- The fee for the guarantee will depend upon the maturity of the debt and, with certain exceptions, will range from 50 basis points to 100 basis points.
- The debt guarantee limit for insured depository institutions with no senior unsecured debt or only Federal funds purchased as of September 30, 2008 is now set at 2% of its total consolidated liabilities as of September 30, 2008.
- Upon proper written notice, participating insured depository institutions may combine its debt guarantee limit with that of its parent holding company/companies so long as the total guaranteed debt issued by the insured depository institution and its holding company does not exceed their combined debt limit.

### Transaction Account Guarantee Program

- The definition of noninterest bearing transaction accounts includes NOW accounts with low interest rates (0.50% or less) and IOLTAs.

In addition, the Final Rule provides specific mandatory disclosure language for debt issued under the Debt Guarantee Program and sample language for both participants and non-participants under the Transaction Account Guarantee Program. The FDIC will publish a list of eligible institutions that have opted-out of one or both components of the TLGP

**By 11:59 p.m., EST, December 5, 2008, all eligible institutions (all insured depository institutions and the majority of all holding companies) must complete the TLGP Election Form.** Institutions must either opt-out of one or both components of the TLGP or, for institutions remaining in the Debt Guarantee Program, certain information must be provided to determine their debt guarantee limit and there must be agreement to certain terms.

- The Election Form (a sample of which is attached to this Memorandum) must be submitted through *FDICconnect*. Eligible institutions that are not FDIC-insured depository institutions will select and solely use an affiliated insured depository institution to submit their election form and to make any assessment payments required under the TLGP.
- Eligible institutions may not opt-out after December 5, 2008 and upon opting-out, may not join the TLGP later.
- Failure to opt-out by the deadline from either component is a decision to continue in the TLGP and to be subject to the corresponding fees.
- Consolidated groups must coordinate their election decisions as all members of a holding company must make the same election with respect to each component of the TLGP. A decision by one member of a group to opt-out will be irrevocable and binding on all other group members.
- Institutions remaining in the Debt Guarantee Program must also execute and transmit to the FDIC a Master Agreement, a copy of which may be reviewed at [www.fdic.gov/TLGP](http://www.fdic.gov/TLGP).

If you have questions, please contact Ted Eissfeldt, Sandi Traicoff or Donna Goelz at 309.672.1483 or Joe Hemker at 269.382.1483