LUSE GORMAN POMERENK & SCHICK

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

5335 WISCONSIN AVENUE, N.W., SUITE 400 ■ WASHINGTON, D.C. 20015 ■ 202.274.2000 T ■ 202.362.2902 F ■ WWW.LUSELAW.COM

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FDIC's Debt Guarantee Program Clarification of Election Form Options

This newsletter clarifies the elections that may be made by eligible entities in connection with the FDIC's Debt Guarantee Program (DGP) and the associated costs of such elections. Please note that elections are irrevocable and must be made using the forms on FDIC*connect* on or before 11:59 p.m., EST, December 5, 2008.

Two Elections: Eligible entities must make two elections in Part III of the Election Form relating to the DGP:

1) whether to participate in the DGP (Part III, A of the Election Form), and

2) if you elect to participate, do you want to preserve the option of being able to issue certain non-guaranteed senior unsecured debt outside the DGP (Part III, C of the Election Form).

If you make the *first election only* (to participate in DGP), you will be assessed fees *only with respect to senior unsecured debt that you actually issue during the program.* Similarly, if you make the first election only and you *do not* issue senior unsecured debt during the duration of the DGP, *there is no cost to participate.*

If you make the first *and* second elections, you *will be assessed* a non-refundable fee for the option to issue *non-guaranteed* senior unsecured debt maturing after June 30, 2012. This non-refundable fee is due even if *non-guaranteed* senior unsecured debt is *never* issued. The non-refundable fee is equal to either: (i) 37.5 basis points times the amount of senior unsecured debt outstanding as of September 30, 2008 and maturing on or before June 30, 2009; or (ii) if there is no such debt outstanding as of September 30, 2008, 37.5 basis points times the amount of the entity's debt guarantee limit (generally 2% of consolidated total liabilities as of September 30, 2008 for insured depository institutions). The non-refundable fee will be collected in six equal monthly installments. While the fee is non-refundable, if you issue guaranteed senior debt, the non-refundable fee will be used to offset the fees assessed for the issuance of guaranteed senior secured debt.

Accordingly, if you would like to preserve the flexibility of issuing guaranteed debt but do not want to incur any cost associated with participation, you should check boxes A(1) and C(2) of Part III of the Election Form. (Please note that you must also make an election regarding the Transaction Account Guarantee Program in Part II of the Election Form.)

Please keep in mind that all eligible institutions must file with the FDIC whether or not they intend to participated in the DGP or Transaction Account Guarantee Program.

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For further details regarding the above-described programs, please contact any of the persons listed below.

Eric Luse	■	(202) 274-2002
John J. Gorman	■	(202) 274-2001
Alan Schick	■	(202) 274-2008
Larry Spaccasi	■	(202) 274-2037
Kip Weissman	■	(202) 274-2029
Gary A. Lax	■	(202) 274-2031

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