
From: Edith Slone [mailto:edslone@forchtgroup.com]

Sent: Thursday, April 02, 2009 9:58 AM

To: Comments

Subject:

Roger Alsip
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Re: RIN 3064-AD35

In response to the FDIC's request for comment I would like to propose the following:

Consider a bond issue or increasing the line of credit from the Treasury. Specifically, I would suggest that the FDIC allocate a minimum level of the bonds among the banking industry. This would create short-term funding for the FDIC to allow it to deal with the immediate crisis and create an asset for the banks instead of an extra expense that will further limit the industry's ability to extend credit.

In regards to specific points the FDIC asked commenters to address I offer the following:

1. Should the special assessment be at a rate other than 20 basis points?

Yes, there should be no special assessment. A crisis of this magnitude did not develop overnight. It is punitive in nature to expect the industry, particularly well run banks, to pay a special one time assessment for a problem that was developing for years.

2. Should there be a maximum rate that the combination of quarterly assessments and one-time special assessments would be capped?

Yes, as the FDIC points out in its request for comments some banks could pay as much as 100 basis points on an annual basis. Pulling that degree of liquidity, earnings and capital out of a bank in a given year is inappropriate.

3. Should weaker institutions be exempted...?

No, but less onerous alternatives should be considered. A bond issue or some other approach, such as increasing the line of credit from the Treasury that would allow for a longer term solution would be more appropriate than forcing already weak institutions to pay a punitive fee.

4. Should special assessments be assessed on assets... rather than the regular risk based assessment base?

There should not be special assessments. They would only be required in times of crisis and planning one-time assessments during times of crisis is not a good approach.

5. Should there be special assessments of up to 10 basis points?

No. As stated before I do not believe it to be good planning to expect to charge special assessments during times of crisis.

6. Should FDIC assessments... take into account assistance being provided to systemically important institutions?

No – unless they were to be charged more. It would be fundamentally unfair for healthy banks and community banks to have to pay extra because systemically important institutions need help. If we must live with the “too big to fail doctrine” then let’s acknowledge that this is a cost that should be born by society as a whole and not just one industry.