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FDIC
MAR 25 2009
OFFICE OF LEGISLATIVE AFFAIRS

March 25, 2009

Sheila Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

Dear Chairman Bair:

I am writing seeking clarification on some of the recent actions the Federal Deposit Insurance Corporation (FDIC) has taken with respect to the fees or premiums it assesses on banks whose deposits are insured by the FDIC.

The district I represent in southern Minnesota has an unusually high concentration of both community banks and credit unions. These are institutions that have been largely conservative in their practices, avoiding the irresponsible lending that contributed mightily to the current financial crisis.

I have heard quite a bit of concern, and not a little anger, from our community banks at the prospect of a sudden, substantial increase in the assessments, fees or premiums they may be compelled to pay by the FDIC in order to ensure that the FDIC continues to be able to provide deposit insurance.

The deposit insurance that the FDIC provides is a truly invaluable service to our financial system and to the millions of Americans who depend on it as a guarantee for the money they have in the bank. I also appreciate that the current financial crisis, including a spate of bank failures, has left the FDIC at one of the most difficult points in its history.

However, I am puzzled and troubled at some of the actions the FDIC has taken or contemplated to address the challenge it faces and ensure that it has sufficient funds to continue providing effective deposit insurance. The recently announced increased quarterly assessments and the one-time assessment slated for later this year – even after it was reduced from 20 to 10 basis points - will hit our community banks particularly hard. That in turn will damage their ability to provide crucial services to the community at precisely the moment they are most needed.

It is also difficult to understand exactly how the new assessments embody principles of fairness.

Therefore, I respectfully request that you address the following questions about the FDIC's assessments on banks:

- Since it is clear the FDIC's plan for assessing fees has been evolving, can you clarify the current state of the FDIC's plans for its assessments on federally-insured banks? What has the FDIC decided, and what decisions are being contemplated for the near future?

- Can you explain how the changes in the fees you assess banks embody principles of fairness to the affected institutions?

- More specifically, would it make sense to base the assessments on banks not on the size of deposits that a given bank holds but rather on the risks and losses of a given institution? If not, why not? If so, what would have to happen to make such an alternative basis for the assessment of fees a reality?

- If Congress provides the FDIC temporary authority to borrow more money – reportedly as much as $500 million – from the U.S. Treasury, how would that impact either the amount of fees the FDIC would be collecting from federally-insured institutions, and/or the way or timeframe in which the institutions would be able to pay the assessed fees?

- Given the integral role the FDIC will be playing in the Obama administration's recently announced Public-Private Investment Program (PPIP) designed to address the financial crisis, and more particularly in the Legacy Loans portion of the PPIP, what assurances can you provide that the new fees the FDIC is assessing on community and other banks will not in effect subsidize the PPIP and its efforts to salvage those financial institutions that took excessive risk and effectively failed, imperiling the financial system, as a consequence?

I am hoping to be able to provide my constituents with answers in the next couple of weeks, so I would very much appreciate replies from you by April 8, 2009. I look forward to your responses, and I thank you for your service to our nation in this difficult time.

Sincerely,

Tim Walz
MEMBER OF CONGRESS

CC: Congressman Barney Frank, Chairman, House Financial Services Committee