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LYNN JENKINS, CPA
2ND DISTRICT, KANSAS

ASSISTANT WHIP

COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE, AND GOVERNMENT SPONSORED ENTERPRISES
SUBCOMMITTEE ON HOUSING AND COMMUNITY OPPORTUNITY

Congress of the United States
House of Representatives
Washington, DC 20515–1602

130 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225–6601

3550 SW 5TH STREET
TOPEKA, KS 66601
(785) 234–5966

701 N. BROADWAY STREET
PITTSBURG, KS 66762
(620) 231–5966

HTTP://LYNNJENKINS.HOUSE.GOV

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FDIC
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OFFICE OF LEGISLATIVE AFFAIRS

The Honorable Sheila Bair
Federal Deposit Insurance Corporation
550 17th St., NW Room 6028
Washington, DC 20429

Dear Chairwoman Bair:

I am proud that a fellow Kansan such as yourself has risen to play such a key role in leading our nation through one of the worst financial downturns in recent history. I know that we all have Americans' best interests at heart as we confront the challenges facing our nation.

I write to you today on behalf of the many community financial institutions which I represent in Kansas' Second District. Growing up in rural Kansas, you know as well as I do the close-knit communities in which these institutions operate, faithfully investing the hard-earned dollars of their neighbors to the betterment of the community and the depositors.

It is clear that recent bank failures have significantly increased losses to the Deposit Insurance Fund (DIF), resulting in a decline in the reserve ratio. I am concerned that, at .40 percent, the reserve ratio for the combined bank and thrift insurance fund is at its lowest level since 1993. However, as you know, the banks in my community did not cause this economic trauma and they believe that they are being unfairly saddled with higher premiums to compensate for the mistakes of others. With these concerns in mind, I have a few questions:

1) Why did the FDIC opt for an across-the-board emergency assessment? The Federal Deposit Insurance Reform Act of 2005 requires the agency to establish and implement a DIF restoration plan when the reserve ratio falls below 1.15 percent within five years, absent extraordinary circumstances. What in your view are "extraordinary circumstances" that might trigger regulatory forbearance?
2) Does forcing institutions to pay increased assessments in the midst of continuing economic hardship counter-productive and lead to further insolvency? If so, does this reveal a fundamental flaw in our financial regulatory system?
3) Congress, particularly the House Financial Services Committee on which I serve, is beginning to debate regulatory reform. How would you recommend altering the regulatory system particularly as it relates to what appears to be pro-cyclicality of the deposit insurance system?

Your insight into these issues would be very helpful as our committee wrestles with these issues. Thank you for your time and consideration of these questions.

Sincerely,

Lynn Jenkins

Lynn Jenkins, CPA
Member of Congress

CC:
Treasury Secretary Tim Geithner
Federal Reserve Chairman Ben Bernanke
Comptroller of the Currency John Dugan
Office of Thrift Supervision Director John Reich