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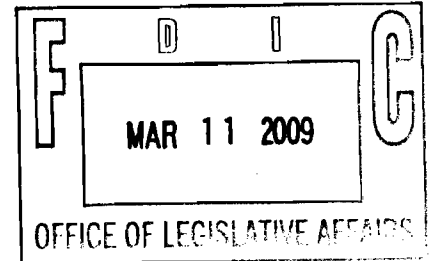
Congress of the United States

House of Representatives

Washington, DC 20515-4201

March 11, 2009

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



Dear Chairwoman Bair:

Last week, Congresswoman Lynn Jenkins wrote you regarding recent declines to the Deposit Insurance Fund and the Federal Deposit Insurance Corporation's (FDIC) decision to make an emergency across-the-board assessment. I believe the answers to her questions would provide valuable insights in evaluating legislation currently pending before Congress, and would appreciate your informing me about:

- 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?"
- 2) Does forcing institutions to pay increased assessments in the midst of continuing economic hardship counterproductive and lead to further insolvency? If so, does this reveal a fundamental flaw in our financial regulatory system?
- 3) Congress...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?

In addition to the concerns Congresswoman Jenkins raised specifically, I would be interested in your thoughts on the merits of assessing banks based on their total assets (minus their tangible capital) as opposed to the FDIC's current practice of assessing banks based on total domestic deposits. My understanding is the FDIC has the authority to do this if it so chooses. It seems to me the current shortfall in the DIF is less a function of deposits than it is a function of other activities that some banks engaged in. As one banker put it, "Deposits don't cause banks to fail but assets do." Ultimately, it seems to me that any plan to raise the reserve ratio should be funded in the fairest manner possible and I would appreciate any direction you can provide us as we consider a way out of this depression.

I appreciate your attention to this matter and hope you won't hesitate to contact me or my staff if you have any questions.

Sincerely,

David P. Roe
Member of Congress