

**From:** Tom Larson [mailto:tom@isbalgona.com]  
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The recent publication of the 20 basis point special assessment on insured deposits along with the increased regular deposit insurance premium deserves comment from all parties. I am confident that approval for the assessment and the increase was not granted without careful study and analysis.

I believe that of utmost importance is the longstanding industry only funding of the FDIC. I also believe that the premium system must be fair to all banks. Significant differences exist between "fair" and "equal".

"Equal" appears to be the system we now have in place where all banks of the same condition pay deposit insurance premiums at the same rate.

In my opinion, "fair" would be a system of paying premiums where those banks having a competitive advantage pay at a higher rate than those banks disadvantaged. Specifically, I'm referring to banks whose failure would create systemic risk. The "too big to close" bank clearly has an advantage over a community bank like mine. Just last week an Iowa farmer from our market sold his farm for cash and was advised by his attorney to put the funds in a bank that was "too big to close." The mega bank must pay for that competitive advantage.

The increased premiums, both the regular and the special assessment, come at a time when all banks need to accumulate both capital and reserves. Careful crafting of the final formula needs to take place to allow continued confidence in our system of deposit insurance. This confidence has been created by the fact that no depositor has ever lost a penny in an FDIC insured account.

I'm not nearly smart enough to propose a specific solution. I believe that the solution must contain important changes:

- Banks that are "too big to close" should pay a higher rate for deposit insurance because of their competitive advantage.
- No taxpayer dollars should be used. Banks should continue to pay their own way for deposit insurance.
- A combination of special assessments combined with increased borrowing capability for the FDIC from the U.S. Treasury and debt financing should be used to recapitalize the FDIC insurance fund.

Thank you for your time and for allowing the opportunity to comment.

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