March 25, 2009

Sheila Bair, Chairman
Federal Deposit Insurance Corporation
Washington, D.C.

Re: RIN: 3064-AD35

Dear Chairman Bair:

I appreciate the opportunity to comment on this proposed ruling. I understand and share your concern regarding the reserve ratio of the Deposit Insurance Fund. The turmoil the banking industry has experienced over the past year has greatly decreased this fund to a level too low to maintain depositor confidence.

While I agree that something needs to be done to bring the reserve ratio back to federally mandated levels, I disagree with the 20 basis point special assessment as proposed in the interim rule. This across-the-board assessment is anything but equitable. Institutions that engaged in riskier lending and investing strategies and are now facing the consequences of large losses and shrinking levels of capital are benefiting by paying the same rate as institutions that maintained conservative business strategies. Also, their activities have adversely affected the overall economy and all of us are in some way negatively impacted. Furthermore, newly-chartered institutions are benefiting from the pre-existence of the reserve fund to which they have not contributed and are competing in local markets against long term participants by cherry-picking good accounts. This assessment should consider a bank's current risk profile and previous contributions to the fund rather than an overemphasis on a bank's ability to pay.

The interim ruling states that the 20 basis point assessment will increase the reserve ratio by 32 basis points, bringing it from 0.40% up to 0.72%. I would like to propose the following three-tiered assessment to achieve the same result on a more equitable basis:

Tier 1:
Banking institutions already in existence prior to the mortgage meltdown should be assessed on a sliding scale using their normal risk-based assessment factors.

Tier 2:
Banking institutions chartered after the start of the mortgage meltdown that are well or adequately-capitalized should be assessed at a higher rate than existing banks. This higher rate is warranted since these institutions receive the benefit of the existing reserve without having paid into it. An assessment rate of 72 basis points would be appropriate, as it represents the level the FDIC is targeting as a result of the special assessment. The incremental difference would represent a form of partnership buy-in to the reserve fund. This should also include the incremental increase in deposits from the acquisition of non-banking institutions by insured institutions, i.e. Merrill Lynch being acquired by Bank of America and Bear Stearns being acquired by JPMorganChase.

Tier 3:
Similar to the previous level, any banking institutions chartered after the start of the mortgage meltdown that are less than adequately capitalized should be assessed at yet a higher rate, perhaps as high as the federally mandated 115 basis points. This would represent a partnership buy-in to the reserve fund as well as a risk premium.

Banks that maintained sound and conservative business strategies have already been negatively impacted by factors beyond their control, including losses on Fannie Mae and Freddie Mac preferred stock and substantially higher FDIC assessment rates. An additional assessment of 20 basis points across the board will only further penalize these banks that have not done anything wrong.

Thank you for your consideration of this proposal.

Sincerely yours,

Christopher J. Murphy III
Chairman and CEO
1st Source Bank

CJM:jsa