Triune
Appraisal - Collateral Services - Consulting

13507 Victory Blvd, Suite 15
Van Nuys, Ca. 91401
805/402-4943
tim@triunegfs.com

September 1, 2015

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation 550 17th Street, NW

Washington, DC 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking, RIN 3064-AE37 ("the Notice")

Dear Mr. Feldman:

Thank you for the opportunity to opine on this proposed rule. Page 39 of the rule mentions a significant study analyzing bank failures. This study seems to be the basis of statistical models for predicting future probabilities of failures, etc. As an economist, it would be interesting to review this study. For example, there is one event that is new to this recovery cycle; prolonged low interest rates. Since this is unique to the recovery phase of the economy, I am interesting in understanding how this is weighted in the statistical models.

The loan mix is new and interesting. I do not dispute the finding of the FDIC. When I read most of the comments posted thus far, I have found a very few that mention the loan mix component. The overwhelming majority are concerned about the treatment of various brokered products.

Curious how there seems to be a mismatch between what is proposed and the perception.

I will concern the balance of this letter to the purpose of the proposal; page 24

"III. Justification for Proposal".
"While the current deposit insurance assessment system effectively reflects the risk posed by small banks, it can be improved by incorporating newer data from the recent financial crisis and revising the methodology to directly estimate the probability of failure three years ahead. These improvements will allow the FDIC to more effectively price risk."

I suggest this target is not met and ask the FDIC to defer this NPR until such time as this purpose is met. There is no doubt of non-bank intrusion into the banking industry. I believe this can be quantified. These non-banks are trading banking products, bringing risk into the industry. They are unregulated and not compensating the Deposit Insurance Fund for the risk they bring. This is the basis of my objection.

What is the FDIC? Is it a volunteer organization, no! It employs thousands and the 2015 operating budget is $2.3 billion dollars. So what do those employees do? They insure America's collective wealth. This is no easy task. As of June 2015 the estimated insured deposits were about $6.4 trillion dollars. The World Bank lists countries by gross national income (GNI) converted to international dollars using purchasing power parity rates. If the insured deposits are about $6.4 trillion dollars, then the signature of Chairman Gruenberg controls more assets than the smallest 64% of the nations of this planet. The Deposit Insurance Fund is the largest intellectual property in the history of the human race.

It is said that banks have a probability of default over a three-year period. This is also true for non-banks dealing with banking products. Banks do originate deposit and other insured products. In order to participate in the insurance, banks must find a way to carve out the assessment from meager, ever shrinking margins.

The banks are the originators and pay the assessment, but again what of the non-banks? Remove the insurance from what non-banks are trading, and the product changes from an insured deposit to a money market account, or other. One could say the value of the FDIC trademark is the margin spread between an insured deposit and a money market account, times the total insured deposits. If one views the deposit insurance fund as an intellectual property, then one recognizes the FDIC is due not only a premium from originators, but compensation from non-banks trading the insured products. These non-banks can be viewed as unauthorized brokers of the FDIC insurance.

I have shared my model with the FDIC. My model, "Federal Deposit Insurance Corporation Protection of Intellectual Property". This is a new view of the product, the Deposit Insurance product, and sometimes a new view is slow in being accepted.

Perhaps if this letter is read by other banks and has some reasonable content, bankers may consider adding a single word to their comments; "No!" No, banks, large nor small, need subsidize non-banks. Since we (banks originating insured deposits) are less than the sum of activity (business by non-banks dealing in insured assets), let the non-banks contribute to the fund, according to an analysis of their volume, probability of default, etc.

Suppose tomorrow I leave banking and illegally import and sell recognizable dolls. How long would it take to receive a cease and desist order; stop selling Mickey and Goofy. I am not saying there is anything Mickey Mouse or Goofy about this rule, but there is an interesting parallel.

It is known the FDIC has had a concern over brokered product, and I too, share those concerns. But rather than assessing the risk from these third party-non banks, and requiring they pay into the Deposit Insurance Fund, what is happening? The FDIC is displacing the risk back onto the banks.

We are now in an election cycle. There are many government programs underfunded, Social Security, Highways, etc. Even if the FDIC does not need the money, other programs do. It is thought the Social Security Disability Fund may be in trouble next year. Economist Charles Blahous has written much on this. The government is allowed to own intellectual property. The US Military-Army, Navy, Marines, etc., own and collect an income. Research the clash of Disney and the US Navy over a copyright of "Seal Team Six"; Navy one-Disney Zero. How long will the FDIC be allowed to leave tens of billions on the table or how long until other programs eye this untapped "pot of gold"?

If non-banks wish to participate in trading insured products, let them carry their own weight. Non-bank activity and risk is quantifiable. Offsetting the risk these parties create by penalizing banks is not fair and does not seem to meet the stated justification of "…These improvements will allow the FDIC to more effectively price risk."

Thank you-No!

Tim Alexander
Managing Director
Triune
805/405-4943
tim@triunegfs.com

PS: Comments and discussion are always welcome