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Sent: Monday, March 09, 2009 12:05 PM
To: Comments
Subject: FW: Assessments - Interim Rule - RIN 3064-AD35

A Better Solution to FDIC's Liquidity Crisis: Pragmatism and Accountability.

FDIC's liquidity crisis has been caused by many things including:

- financial conglomerates (so large and diverse that they can no longer be accurately characterized as banks) more worried about quarterly profit/growth reports to Wall Street than their fiduciary responsibilities to customers and shareholders;
- weak corporate management permitting/promoting this digression from sound banking practices, and profiting immensely by it;
- government intervention essentially promoting/mandating higher risk lending practices;
- inadequate oversight/response by FDIC , OCC and the Federal Reserve to all of the above over the past decade. These conglomerates clearly and undeniably outran the regulators ability to evaluate and regulate their risk.

Surely the FDIC can come up with a better solution than the proposed emergency assessment. The TARP bailout funds constitute a now unavoidable "reallocation of wealth" from the shareholders/**taxpayers** of sound, conservatively run banks to these high risk financial conglomerates. Unbelievable! . . . a giant step towards socialization in a country that is supposed to be free and capitalistic. These conglomerates abandoned conservatism years ago to please Wall Street with undisciplined growth and increased profits commensurate with unacceptable risk profiles.

Instead of an assessment which hits the income statement of all banks, strong and weak, and then becomes a net decrease in tax revenues to the U. S. Treasury, why not have banks loan the money to the FDIC DIF, and structure repayment to the banks based on a reduction of future normal premiums. If the Treasury guaranteed these loans, they could be carried as viable assets on the banks balance sheets, the capital positions of strong and weak banks alike would not be further impaired, the tax cash flows to the Treasury Department would not be diminished, and ultimate risk to the U. S. Government (i.e. the U.S. taxpayer, us, collectively) would not be increased in any way. Legal, legislative and accounting issues can be dealt with, and it appears that now may be the time when our regulators and legislators need to think "outside the box".

Regulators need to step up and regulate those who need it, and let well managed companies operate unhindered within regulatory guidelines. A real solution to the FDIC liquidity crisis should involve a mandate to the guilty parties that they redraft their business models back to a level of conservatism consistent with their fiduciary responsibilities. It may be too late for their shareholders, but it is not too late for the shareholders/taxpayers of the large majority of solid banks around the country who did not participate in or profit by this debacle, and should not have to pay for it.

Finally, Chairman Bair recently said in defense of this ill-conceived assessment "These steps are necessary because banks - and not taxpayers - are expected to fund the system". This comment is disappointingly shallow, defensive and seemingly political.

Be assured, U.S. taxpayers know who pays for every government service ever provided, including deposit insurance, *indeed the FDIC's entire budget* . . . THEY DO!