From: jbrwoodhaven [mailto:jbrwoodhaven@cox.net]
Sent: Wednesday, April 01, 2009 2:25 PM
To: Comments; Murphy; Lieberman; Dodd
Subject: FDIC Special Assessment - RIN3046-AD35

I contact you in my capacity as a director of a $250 million community bank that is "well capitalized" and did not engage in any of the risky activities that now hobble many of the nation's largest banks. Although I support the effort to ensure that the FDIC Deposit Insurance Fund have adequate resources to stand behind its deposit guaranties, the proposed 20 basis point levy is punitive for the very segment of the banking industry that did not participate in the unsound practices that led to the current financial market crisis. The levy will significantly hurt our and similar banks' ability to offer credit to businesses and consumers during this time economic stress.

I join others in proposing three options to mitigate the impact of the special assessment on clean, healthy banks such as Simsbury Bank.

1. Support the passage of S. 541, which would increase the FDIC's borrowing authority from the Treasury to $100 billion. I understand that some in the Senate are seeking to add various amendments to this legislation that risk undermining Senator Dodd's original intention of relieving the burden of the assessment on community banks. Please resist these efforts and support a "clean" bill that results in the FDIC reducing the special assessment.
2. Since "too big to fail" banks which have "systemic" risk to our financial system were the principal contributors to the need for the increase in the Deposit Insurance Fund, let those institutions bear a larger share of the assessment burden. There should be a "systemic risk" adjustment to the calculation of an institution's deposit insurance assessment. Otherwise, the rest of the industry will continue to effectively subsidize the systemically risky institutions.
3. Modify the deposit insurance assessment calculation to include a more effective measurement of the risks taken on the asset side of the balance sheet. The systemically risky large banks that engaged in subprime mortgage investing, credit default swap speculation, and other risky activities, should be required to pay deposit insurance premiums consistent with the risk on their balance sheet. The current risk adjustments used by the FDIC in calculating an institution's assessment are inadequate in differentiating the business risks taken by different banks.

Finally, as Congress begins to write legislation to overhaul financial market regulation, I strongly encourage you to draw some key lessons from what we have all learned through this continuing crisis. Too many "too big to fail" institutions are the product of 30 years of financial market deregulation. Our financial system has become unhealthily concentrated. The new regulatory framework must permit medium and small banks to flourish and must impose risk premiums on systemically risky institutions that are commensurate with their risk to our financial system. There must be a clear distinction between the regulatory burden appropriate for a relatively simple bank engaged in deposit gathering and lending and that appropriate for large institutions engaged in a variety of relatively riskier financial activities, yet supported by the benefit of FDIC insured deposits.

Thank you for your commitment to ensuring a vibrant and diversified financial system where community banks are not burdened with the mistakes of "too big to fail" banks.

Sincerely
Rodney R. Reynolds - Director - The Simsbury Bank