From: John P. McBride [mailto:jmcbride@westendbank.com]
Sent: Thursday, March 05, 2009 12:45 PM
To: Comments
Subject: RIN 3064-AD35

Chairman Bair et al.,

The adages "between a rock and a hard place", "damned if you do, damned if you don't" seem pretty appropriate to the condition we find ourselves facing in the banking world today. But it is always difficult to find an equitable solution and possibly the "right" solution when the "easy" solution, in this case, is to charge all the banks equally and substantially. After all, its our insurance fund as the FDIC has stated in its release. And I believe most, if not all community bankers would **support a risk-based assessment** to the fund. In other words, those that caused this disaster pay more than the thousands of community banks who didn't take part in the **uncontrolled** rush to increase earnings, shareholders returns, and expand their presence… In your words, the "systemically important institutions". I assume you're speaking of IndyMac, Citigroup, Bank of America etc.. I'm not going to talk about the negative impact at the worst possible time that this assessment will have on our banks earnings. I suspect you will hear that by the thousands as you know already.

The insurance fund to provide depositors with a safe haven, which is a pillar of confidence in the banking system, seems to me to be based on two rather important assumptions: 1) There is enough money in the fund to pay those depositors whose money is insured up to the specified limits and 2) There are regulatory experts who are analyzing those institutions who might cause inordinate risk to the fund to protect the depositor and the fund balances. This problem seems to me to be a rather simple cause and effect. Not regulating these "systemically important institutions" as to risk has caused the effect of depleting the funds. Now, as we know "the horse is already out of the barn" The fund is threatened as you have said now on more than one occasion. So there's no doubt we need to act. But is it actually reasonable and the right thing to do to assess every community bank at the same level? Are there other alternatives? I think so…

First off, contrary to your statement "any system of insurance requires to some degree that premiums paid by well-managed and healthier institutions cover the losses caused by weaker counterparts (systemically important institutions?) is only partially correct. I'm not sure how your auto insurance, life insurance, health insurance or property insurance premiums work. But the driver with a drunk or reckless driving citation, a cancer patient(I know I had cancer), some pre-existing conditions for health care, and the homeowner who lives in "hurricane alley" in Florida pays an inordinate amount of premium for coverage. Now it is true that the overall experience of a particular line of insurance coverage may result in an increase to the entire group, but **it is not on an equal basis**. **Good risks and Bad risks don't pay the same increase.**

Secondly, who should pay the most to replete the fund? The "systemically important institutions" who contributed to this debacle should pay a significant portion of the increase. How do they pay it? Well, one avenue to pursue is to suspend all dividend payments to shareholders and divert those dividends to the insurance fund from those institutions. After all our President has said on more than one occasion that we're all in this together. Everyone will have to sacrifice. I think TARP funds can be used to replenish the fund since it may well be one of the best uses of our tax dollars to stimulate these "systemically important institutions" to release their "stranglehold" on the banking system, as I hear in the media day after day. Although the media and even the President seems to think this is what's happening at all banks throughout the country. I agree that it is imperative that the FDIC fund remain secure. If the public were to lose confidence in the banking system, it would be time "to turn out the lights." That's exactly the reason I think using TARP funds, at least a portion of those funds, is not only necessary but logical. At least we taxpayers can be sure our deposits continue to be safe. And certainly meets the criteria of transparency that has been so sorely lacking in the management of our taxpayer dollars. Contrary to your opinion, I think Congress would react favorably to such a use of the funds.

However, I don't really think my recommendations or those of the thousands of community bankers writing as well will make a difference. I suspect you've already floated a trial balloon on TARP funds to Congress and been rebuffed.

But most importantly for me as a banker is how to make sure this never happens again. How do we community banks remain independent and continue to be a vital part of the economic success of our communities and our nation? I actually think one big part of that answer lies squarely on the shoulders of our Regulatory Agencies. I am amazed of the lack of outrage and anger by the public and Congress at how these "systemically important institutions" were allowed to operate in the manner in which they did without regulatory oversight – SEC, FDIC, OCC, Federal Reserve. **I know now that these institutions are too big to fail, were they and are they too big to regulate???** We're a small community bank in Indiana. Each year as you know we have an annual Safety and Soundness examination conducted by both the FDIC and the Indiana Department of Financial Institutions. The OTS reviews our mutual holding company. We typically have a compliance and IT examination by these agencies as well. In addition we utilize independent third parties to review loans, underwriting standards etc. as well as IT services annually. We view our regulators as partners. I know from working with them that this would never have happened in our institution. We wouldn't have allowed it and neither would they. How could the SEC, FDIC, OCC and others missed this train wreck?

I'm not asking for more regulation for community banks, but I am asking the question on how you propose to regulate these "systemically important institutions" in the future? It obviously begs the questions of delineating the type of examination by complexity of the institution and who should and is capable to conduct such a thorough examination on those "systemically important institutions"? The answer to that question will certainly help insure the soundness of not only our Insurance Fund but our banking system as well.

If you have any questions, please do not hesitate to call me.

Sincerely,

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