
From: David Ward [mailto:dward@ncb-ebanc.com]
Sent: Thursday, March 05, 2009 5:12 PM
To: Comments
Cc: 'Mike Kelley'; bobw@cba.com; 'Terry A Judd'
Subject: Special FDIC assessment

It is with great disappointment that my bank is looking at such a huge special assessment. We are a small community bank, did not create this problem, and are conducting loan business as normal as much as possible. The new assessment will not help much on this end...obviously.

Having said that, I understand your difficult position. The FDIC is the nation's banking system final safety net. It is necessary to make sure the fund has enough resources, and I (for one) believe this burden should not be borne by the taxpayers. Ironic isn't it that the big banks didn't want deposit insurance – knew they were too big to fail – and so they were right. Now they are the ones most in need of this protection.

I applaud the FDIC for implementing the tiered rate assessment concept. Those banks that want to run riskier business models should pay more. Maybe, used to a greater degree, that would have served as a disincentive for such risk taking to begin with.

In that vein, I would like to put forth the following suggestion. Suppose that the top tier (safest, best managed) banks that contribute in this special assessment would be given some type of premium "credits" in exchange for their assessment payments. Those "credits" could be used in the future as a reduction in normal FDIC assessments AFTER the industry is stabilized and the Fund has been restored to a reasonable level. Maybe the "credits" could be used up at 50 cents on the dollar of future normal assessments so that cash would still flow to the FDIC. And maybe those "credits" could be shown as an asset on the bank's balance sheet.

And as a final thought, I believe that banks should pay into the fund at a very minimal level at all times. Then FDIC reserves would continue to build up in good times, without deposit coverage ratio limitations. BUT, the fund would have to be absolutely protected from government's reach for other purposes.

I am also concerned about the political pressure to increase regulatory burden on banks. Those burdens will fall heavily on smaller community banks, who did not cause this problem. Over regulation is already strangling our industry, so let's get rid of what is outdated or meaningless. (Sorry, I was dreaming there for a moment).

Respectfully

David Ward
President
North Central Bank