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**From:** Jim Caldwell [mailto:[jcaldwell@firstcitizensww.com](mailto:jcaldwell@firstcitizensww.com)]

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**To:** Comments

**Subject:** FDIC Assessment

I believe that the FDIC premium assessment for insured banks should be much more highly predicated on the "core capital" component that is pure equity capital. I think trust preferred, debentures or holding company equity down streamed that was raised out debt or preferred stock offering should be discounted severely as capital components.

If we raise the core capital level of the banks in our system we would not be experiencing nearly the problems of today.

My recommendation is to set 10% core capital as the goal, standard or default level so with institutions under that level paying exponentially a much higher premium rate the lower % core capital they maintain. Likewise banks that have deleveraged their institutions should receive recognition for that in lower premiums.

The rationale for this logic is that those institutions that have leveraged up their balance sheets have normally shown higher ROE's and absolute income returns. Therefore these higher earnings levels should be used to pay higher premiums to reflect the greater systemic risk they present to the insurance fund. This approach would go a long way and address the too big to fail excess premium that should be assessed to those banks considered too big to fail.

Bottom line we must charge MUCH higher FDIC premiums for those banks that have leveraged up their balance sheets and operate with lower core capital. They are the ones that present the risk to the system if there is a failure.

If you have any questions on this please give me a call.

Regards, Jim Caldwell

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