

American Federation of Labor and Congress of Industrial Organizations



815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000
www.aflcio.org

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July 29, 2009

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Proposed Statement of Policy on Qualifications for Failed Bank Acquisitions
(RIN 3064-AD47)

Dear Mr. Feldman:

I am writing on behalf of the American Federation of Labor and Congress of Industrial Organizations (“AFL-CIO”) to express our strong support for the FDIC’s proposed policy regarding qualifications for failed bank acquisitions (“Proposed Policy Statement”). We view the Proposed Policy Statement as essential for the FDIC to fulfill its mission to examine and supervise the safety and soundness of depository institutions and urge you not to weaken any aspects of the Proposed Policy Statement. We urge you to strengthen the proposal by limiting private capital investors’ ability to undertake dividend recapitalizations.

The AFL-CIO represents 11 million working people and retirees—middle-class Americans who are watching as billions of their tax dollars are spent bailing out insolvent financial institutions as they lose their jobs, homes and retirements savings. We have a profound interest in promoting safe and sound financial institutions and making sure that financial engineers do not further undermine the already weak financial system.

We believe that the Proposed Policy Statement strikes the right balance by permitting unregulated investment funds to purchase failed banks while ensuring that there are appropriate mechanisms in place to allow the FDIC to fulfill its mission to “maintain stability and public confidence in the nation's financial system.”¹

¹ FDIC Mission, Vision, and Values, available at <http://www.fdic.gov/about/mission/index.html>.

Letter to Robert E. Feldman
July 29, 2009
Page Two

The AFL-CIO supports all of the existing elements of the Proposed Policy Statement, particularly those aimed at ensuring that private capital investors maintain adequate capital within banks in which they invest. In order to strengthen the Proposed Policy Statement, we encourage the FDIC to add a provision that would limit the ability of private capital investors to engage in dividend recapitalizations. A dividend recapitalization is a transaction in which a private capital investor borrows money on behalf of a company under its management and uses the proceeds to pay dividends to investors and the investment managers. By adding liabilities to a bank's balance sheet, a dividend recapitalization would weaken the depository institution's financial strength. In our view, this type of financial engineering is inappropriate in the context of insured commercial banks and should be prohibited or subject to strict limitations.

We appreciate the opportunity to present our views on this important matter. If we can be of further assistance, please do not hesitate to contact Damon Silvers at 202-637-3953.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard L. Trumka". The signature is stylized and cursive, with a long horizontal stroke at the end.

Richard L. Trumka

RLT/ms
opeiu #2, afl-cio