STONE POINT CAPITAL

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Chairman Sheila C. Bair
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: RIN # 3064-AD47
Comments on the Proposed Statement
of Policy on Qualifications for Failed Bank Acquisitions

Dear Chairman Bair,

Stone Point Capital is pleased to submit this letter in response to the FDIC's request for comment on the role of private equity in the recapitalization of failed banks. Stone Point is a private equity firm that has raised more than $10 billion for investments exclusively within the financial services industry. Our business model is based on a conservative approach to investing and a concerted effort to establish long-term partnerships and financial alignment with proven management teams engaged primarily in the banking, insurance, brokerage and asset management businesses. Stone Point has pursued this approach since the launch of its activities in the mid-1980s. Most recently, our firm was fortunate to have the opportunity to partner with Steven Mnuchin, other private investors and the management of OneWest in the recapitalization of IndyMac.

I have personally focused on the commercial banking industry for several decades. Prior to joining the Stone Point platform more than ten years ago, I spent twenty-three years at Goldman Sachs, primarily representing money center, regional and community banks. On a more personal level, for many years my father ran Merchants Bank, an FDIC-insured institution based in Burlington, Vermont. I have been the largest individual shareholder in Merchants for the past twenty-five years and had the privilege to serve on the board from 1984 to 2008. This relationship has strengthened my appreciation for the importance of the FDIC, particularly to regional and community banks.

As long-term investors in depository and other financial institutions, we understand and support many of the concepts included in the Proposed Statement of Policy on Qualifications for Failed Bank Acquisitions published in the Federal Register on July 9, 2009. Clearly, private equity firms should not seek loans from any bank in which they have a meaningful investment. And bank ownership structures should be transparent to regulators and supportive of a responsible bank holding company structure for FDIC-insured subsidiaries. Moreover, investors should be willing to maintain their shareholdings for a meaningful period of time, as management partners prudently and efficiently execute a business plan.

There are, however, a number of items in the Proposed Statement of Policy that deeply trouble us. At a high level, our concern is that these rules would create an unlevel playing field for private investors and as a result would impede the flow of capital to the banking system at a time when equity investment is most critical.

We believe the 15% Tier 1 Capital Requirement is most problematic. While we recognize the need to capitalize depository institutions in a conservative manner, particularly during periods of business transition, we believe that 15% is substantially higher than appropriate. Capitalization at that level would drive away much needed private investment in the banking sector and likely would create inappropriate incentives for management teams to underwrite higher-yielding, riskier assets to utilize the surplus capital as they seek to compete against other banks that are not subject to the requirements of the Proposed Statement of Policy.

In the case of failed bank acquisitions, much of the prospective balance sheet risk should be mitigated through pre-closing due diligence and government loss-sharing arrangements. Therefore, the amount of capital required to protect against legacy assets in these recapitalized institutions should be relatively limited, particularly when compared to established institutions that have not revalued existing asset portfolios.

Stone Point would support an 8% Tier 1 Leverage Ratio requirement and we note that most of the *de novo* structures will be capitalized with pure common equity resulting in tangible common equity ratios that will be substantially higher than those of many other established institutions. We believe this level of capitalization provides significant protection without creating an unlevel playing field that unnecessarily disadvantages private investment in the sector.

We also have serious concerns about the cross-guarantee and source of strength requirements. We believe these provisions would be unfair if applied to an investor that does not exercise control over a depository institution. Broad application going forward would, in our view, push away most, if not all, private investors that would be subject to such rules.

Retroactive application is another proposal that strikes us as unfair. A number of investors agreed to support the capitalization of U.S. depository institutions during a period of extreme financial crisis. These investors should be permitted to retain their investments on the terms and subject to the conditions mutually agreed after extensive negotiations with regulators.

The U.S. banking system continues to face substantial challenges. A recovery of our regulated depository institutions will require hard work by properly motivated managers and substantial amounts of additional equity capital. Stone Point believes private equity investors with financial institution expertise can be valuable partners for the FDIC, other key regulators and management teams that will lead the recapitalization of a significant portion of the banking system. We look forward to continuing our participation in this vital component of our national economy.

We are available at your convenience if you or any member of your team would like to discuss any aspect of the Proposed Statement of Policy.

Sincerely,

Chuck Davis

Charles A. Davis
CEO, Stone Point Capital LLC