From: Michael Dimond [mailto:MFDimond@fnbmichigan.com]
Sent: Thursday, October 15, 2009 4:27 PM
To: Comments
Subject: Prepaid Assessments, Proposed Rule - AD49

Comments / responses are in red

1. As an alternative to prepaid assessments, should the FDIC meet its liquidity needs by imposing one or more special assessments? NO.
2. Should the FDIC pursue one or more of the other alternatives to the prepaid assessments, such as borrowing from Treasury or the FFB? Yes, the FDIC should explore all alternatives as the future is unknown, and the Banking system may not be able to finance additional problems.
3. Should prepaying assessments be voluntary rather than mandatory as currently contemplated, and, if so, how would the FDIC ensure that it receives sufficient cash to fund resolutions of failed insured depository institutions? (If prepayment of assessments were optional, the FDIC believes that it would affect the accounting treatment as a prepaid expense.) No, see the comment in 4.
4. For purposes of calculating the prepaid assessment, should the FDIC estimate the growth in the assessment base at a rate other than 5 percent for 2009, 2010, 2011 and 2012? Should the FDIC use different assessment rate assumptions than those proposed? Both number 3 and 4 define a problem in the proposed Rule. All banks will grow at a rate different than 5 percent. Some will shrink and some will grow more. Some will be granted an exemption. This means that the economic impact on the various banks will differ because of the time value of money. The only way to fix that problem is to pay a market interest rate on the money the FDIC is borrowing from the banks.
5. As proposed, the FDIC would require prepayment of estimated assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 based on its current liquidity needs projections. Should the FDIC require prepayment of estimated assessments over a different period or in installments? NO, if the FDIC finds it needs additional funds in the future, it may consider alternatives.
6. Should the FDIC's Amended Restoration Plan incorporate a provision requiring a special assessment or a temporarily higher assessment rate schedule that brings the reserve ratio back to a positive level within a specified time frame (one year or less) from January 1, 2011, when the FDIC projects industry earnings will have recovered? No, the FDIC should allow the reserves to grow back to compliance over a longer period of time. Any special assessments and normal assessments should be based on total assets.

Additional comments: I am concerned about the performance by the FDIC in shutting failing banks in a timely manner. I receive the e-mails detailing each bank closures on Fridays. My informal survey shows that the FDIC's loss is over 20% of assets. Do you have a summary of that information? A loss of more than 20% tells me that the FDIC is waiting too long to shut down failing banks.

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