

From: Bill Wubben [mailto:bwubben@applriverstatebank.com]
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To: Comments
Subject: FDIC ASSESSMENT

It is evident that the assessment is needed to preserve the integrity of the banking system and the FDIC. Increasing the assessment does not solve the on going issue of the de facto coverage of insuring the deposits at the (To Big to Fail) institutions. It is time to review the entire deposit insurance coverage landscape. During the banking crisis in the 1980's I wrote to your office on the same issue and I will propose the same plan to you for review now. With any new proposal the safety of the deposits at all institutions must be primary to insure confidence in the banking system. The FDIC insures the deposits at financial institutions by assessing banks a fee. While this fee is not charged directly to our customers they do in some form or way pay for this coverage with fees or reduced rates on deposits. That is the reality of situation. The FDIC is in the business of insuring deposits, and I know of no other insurance that does not have a deductible. What I proposed then and now is that the FDIC insure all deposits and phase in a deductible on the coverage up to 10%. This would put all banks on the same playing field. Banks would continue to be examined by the FDIC but would also be under the scrutiny of the customer base this would be an added safe guard to the system. Banks could purchase additional deposit coverage from the private sector to protect the deductible amount if they should choose. The general public would understand the deductible concept since anyone who has insurance is aware that they pay a portion of any claim or loss. The plan would alleviate the confusion that exists now with the deposit coverage. There are a number of ways the plan could be implemented and minimum amounts guaranteed but the main issue is that consideration of a deductible would be part of the coverage plan. I would be happy to discuss this further with you. The immediate concern for now is to maintain confidence in the banking system and I support the need to replenish the fund, but long term we need to look at making the system sound and viable so that we will never have this situation again.

Bill Wubben
President
Apple River State Bank
815-845-2900