

Dear Chairwoman Bair,

I am sure you have heard from a lot of bankers by now about your assessment strategy. I will also add my voice to the chorus of those who feel this is a bad idea. However I also feel those who criticize something without offering alternatives are not adding anything to the solution. To that end I would like to offer a plan which I feel could work for all involved.

Step One: The FDIC should issue \$50 Billion in ten year notes at 5% interest. One tenth of the prin. in addition to the interest would be due annually. These notes should be straight FDIC backed notes with NO Treasury or Gov't Guarantee. This would avoid the stigma of a Gov't or Taxpayer bailout. The first year payment on these notes \$7.5 Billion. This could be paid for with an approximately .10 cent per \$100 assessment. Because the fund would be re-capitalized at this point the regular assessment could be reduced to .08 to .12 cents per \$100. This would give a bank like ours a .18 cent total assessment for a total annual cost of \$81,000.00 as opposed to the \$144,000.00 assessment under the proposed plan. It should also lessen the specter of additional .10 cent per \$100 emergency assessments going forward.

Step Two: Offer the notes to the banks themselves. It is very difficult to get high quality investments in this market and this would be a chance for banks to get high quality paper and it would benefit the very industry that is paying for it. You could ask for indications of interest on FDICConnect and banks could subscribe to the amount they would be interested in buying. If the amount was less than \$50 Billion the balance could be sold to the public. If the amount subscribed by banks was more than \$50 Billion the notes could be allocated on a prorated basis. On a \$1 million dollar investment with a 1% cost of funds the bank could generate 4% NIM and an additional \$40,000.00 in net income. On the whole \$50 Billion this would equal \$ 2 Billion extra income to the entire industry.

I know this is a very brief overview but I think it gets the point across and I am sure there are several sharp minds at the FDIC that could implement this idea. I know this would be more palatable to our bank and I can't speak for the industry but think this is something they might go for. We all know something needs to be done and I think this would be a better way to achieve all our goals.

Sincerely

Timothy R. Grefe
Vice President

Cc: Mn Bankers Assoc.and ICBA