From: Timothy Jewell [mailto:tjewell@eatonfed.com]
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To: Comments
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On behalf of the Board of Directors of Eaton Federal Savings Bank, an insured institution in Charlotte, Michigan, I am submitting the following comment regarding the FDIC's recent assessment announcement and follow-up letter from Chairman Bair to bank CEO's.

First, we would like to express our agreement that the fund must be kept solvent, that funding should continue to come strictly from insured institutions and that significant premium increases will be necessary to accomplish these ends. As much as it pains us that well run institutions such as ourselves will be forced to recapitalize the fund (again) as a result of the reckless practices of a small fraction of the industry and the accompanying failure of the various regulatory bodies, including the FDIC, to prudently supervise these institutions (again), we feel that seeking any source of funding other than bank premiums is not prudent. However, we cannot support the FDIC's announced 20 bp special assessment. This unexpected assessment, coupled with the regular assessment rate schedule which was already substantially higher, is too large a burden to place on industry all at once. We would support the recent proposal to reduce the special assessment and supplementing it with borrowings from Treasury which would be repaid over time from regular assessments.

The Board of Eaton Federal would also like to express our deep concern with the FDIC's handling of this situation. It's apparent that the FDIC has been aware for some time that the assessment rate schedule it had previously signaled as necessary would not be adequate to keep the fund solvent but gave no public indication of this fact. The surprise announcement that the fund would become insolvent by the end of this year unless a huge special assessment was collected unleashed a torrent of bad press, caused great concern among depositors and threw a wrench in the budget of all insured banks. Keeping secret the fact that bank failures were going to necessitate assessments far above what the FDIC had previously signaled then dropping an atom bomb of an announcement with no prior discussion of options constituted very poor judgment and indicates to us that the FDIC's Board of Directors is either insensitive to the repercussions of their actions or playing a very bad game of political positioning at the expense of its insured institutions and the public. We urge the FDIC's Board to practice much greater transparency and to use much better judgment when communicating with insured institutions and the public.