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Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Attn: Comments - Sent By Electronic Delivery (Comments@FDIC.gov)

RE: RIN 3064-AD 66 Assessments, Assessment Base and Rates

Dear Mr. Feldman:

Triune is a consulting company working for banks across the nation. We welcome the opportunity to opine on the cited proposed rulemaking of Assessments, Assessment Base and Rates.

There is a growing chorus of voices offering thoughts on the proposal. Rather than adding thoughts on specifics, we step back and consider the concepts. Several questions then come to mind.

- Why this change? Why look to the asset base?
- Is this actually insurance?
- Is it price prohibitive?
- What are the alternatives?

Why This Change?

Over the past two or so years there has been a great deal of testimony before congress on the causes and magnitude of the economic collapse. Congress has shown frustration many times on the perceived inability to obtain satisfactory information. If a primary function of congress is to pass laws, and congress has imperfect information, the likely result is debatable laws. We watched this process unfold.

It is quite possible that congress took this approach as it was viewed as reliable and available. There are many concerned comments on the approach used to compute the assessment. Comments from the likes of BNY Mellon are articulate on the subject.

Is this actually insurance?

With insurance, there is an attempt to match loss history or exposure with the current asset pool so that a competitive premium is computed. States have departments of insurance and these have a considerable say in pricing, yet states are silent on this proposal.

Hudson City Bancorp submitted excellent comments on the "**Assessments, Large Bank Pricing NPR**". In this comment letter were furnished statistics which question the cause of Deposit Insurance Fund (DIF) losses. The writer considers the difference between large and small banks. Going back farther than just January 2008 shows the majority of losses at institutions have or less than the proposed $10 Billion limit. Also, 64% of the historic losses are for institutions other than Nationally Chartered Banks. These losses go back for more than a decade and suggest the greater part of losses may have been problematic to a type of charter.

There is no doubt the DIF needs to be re-populated. There is likewise no significant discussion of elimination of the insurance, but is this the appropriate vehicle to achieve the goal of DIF liquidity? If this passes in tack it would be the second time to infuse money back into the fund in as many years.

Some say the last assessment may have raised about $40 Billion, with the possibility of up to a similar amount with this current NPR. Even if these figures are not completely accurate, there is an enormous loss of systemic liquidity.

The five largest Bank Holding Companies (BHC)s contain almost 60% of banking assets within the U.S. It is hard to imagine the repopulation of the DIF without significant increases from the largest banks. While the NPR discusses a Revenue Neutral Position, initial modeling suggests otherwise.

There are some comments in the NPR of needing a cushions or excess. If a bank is to have an excess of qualified assets (or a cushion), what is the purpose of the insurance?

Assessments or premiums cannot continue to grow indefinitely. Something will have to give. If the premium does not match the historical loss history, and increases are not passed along to customers, what is the result? In practice this seems to be more of a tax than a premium or assessment.

Is it price prohibitive?

We have observed increases by several magnitudes. If there were a three year assessment, then the last increase was by a magnitude of three. There are no other industries seeing such a rapid growth in expenses. Again, since it is not possible to pass the expense along to the customers, how is this to be funded by a bank?

The comments from BNY Mellon seem to explain the overpriced nature of the insurance. While this is not the only example, it is a very vivid one.

What are the alternatives?

The concept of deposit insurance is valuable and worthy of retention, but not at any price. This assessment charges but offers little in return to the bank. After all, the insurance is for the benefit of the customer.

There are discussions underway now concerning alternatives. Some institutions are looking at divesting. There is precedence for moving over-seas, or even self-insurance. There is mention of the Basel II Accord in some FDIC documents. If there is a re-visit to these documents, one may find an alternative.

In daily life, the word “common” is present; common practices, common usage, common sense, etc. When common fails, the result is often legal. There is a legal precedence for challenges to laws, successful challenges. If this assessment can be viewed as discriminatory and not meeting a standard of insurance; is it so hard to imagine a challenge?

I thank you for your time and the opportunity to comment. If there are any questions, please call.

Sincerely,

Timothy Alexander
Managing Director
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