



September 9, 2015

Robert E. Feldman, Executive Secretary
550 17th Street NW
Washington, DC 20429

Dear Sir:

Thank you for the opportunity to comment on this important issue. I began my banking career in 1980, just in time to participate in the unprecedented rise in interest rates that ultimately led to the failure of over 1,600 banks that were primarily concentrated in agricultural and energy lending. The most significant common denominators between the failed banks and their customers were their lack of sufficient capital and their failure to properly manage through the problems. In the end however, there were many banks that did survive the downturn even though their capital levels and portfolio mix mirrored those of their peers who failed. We saw the same situation during the more recent "Great Recession". The FDIC consistently noted after every bank failure, that one of the primary causes of each failure was "unsafe and unsound banking practices" (Management).

I question the heavy focus on the portfolio mix of previous bank failures occurred over the past five years when "handicapping" future insurance assessments. I believe that the report issued by the FDIC titled "*The Banking Crises of the 1980's and Early 1990's: Summary and Implications*" said it well when it stated in its concluding remarks that: "The problems of the past may bear little or no resemblance to those of the future. Therefore, it is important to keep in mind those lessons of the 1980s that appear to be relevant while remaining alert to emerging problems that have few or no precedents in the past."

In many ways, this report highlighted the importance of management, asset quality, and capital as the common denominators of strong banks. Underwriting and management of the loan portfolio seemed to be a greater factor than loan portfolio mix.

With this in mind, I question the wisdom of moving away from our current system of deposit insurance assessments. Instead I would suggest that the FDIC focus more on the expertise of the field examiners who have a "first hand" view of every insured bank every 12- 18 months. They are in the best position to clearly assess the skill levels of management and better understand the credit risk within each individual bank loan portfolio in "real time". Therefore, I would urge the FDIC to consider keeping the current system in place and only consider making minor changes to the formula. "If it's not broken, don't fix it."

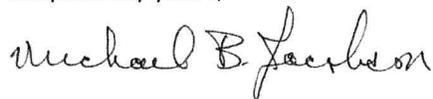
If you choose to make changes, I would offer the following suggestions:

1. It is my understanding that more than 80% of all insured banks have a composite CAMELS rating of 2, it seems that it would be appropriate to separate the 1 rated banks from the 2 rated banks when determining the assessment formula thus, rewarding those banks for maintaining high quality standards. It would seem to me that 1 composite rated banks should have some sort of "safe haven" from the negative aspects of the new formula. (Under the proposal, a 1 composite rated bank could see their premium rise to levels greater than a 3 rated bank, depending on their respective asset and funding mix).
2. The FDIC should take into consideration that many small banks are choosing to use FHLB "term" advances, or longer maturing brokered CDs to help manage interest rate risk. The proposed changes in assessments will likely discourage this activity and could result in unintended consequences.
3. Banks with tangible equity capital levels above 10% should be given greater premium relief than the proposal outlines.
4. Historical losses and historical levels of non-performing assets should be considered for individual banks when determining assessment levels as opposed to using industry performance. Banks with strong credit management history should benefit for strong management.
5. Given the high weighting placed on C&D loans, it would seem appropriate to make this category more granular by separating "build to suit" construction loans from pure speculative land development loans. Clearly the risk levels are vastly different.
6. Additional consideration should be given to deposit funding mix. It seems to me that reciprocal deposits are a good example of why the definition of "brokered deposits" should be revisited. These deposits are originating from local depositors who are seeking greater insurance coverage. However, the deposits are stable, local and cost effective.
7. Consideration should also be given to allowing brokered CDs with a remaining term greater than one year to be exempted from the Brokered Deposit adjustment. Again, these deposits are more stable than "so called" consumer "core" deposits since they have no early withdrawal option.

As I stated above, I strongly believe that the current system is a good system that is adequately distributing premiums among insured institutions today. I am concerned that the proposed changes may have unintended consequences. I also feel strongly that any changes to assessments should separate 1 composite CAMELS rated banks from 2 rated banks and they should be not be negatively impacted by the proposed changes.

Again, I want to thank you for allowing me to comment on the proposal.

Respectfully yours,



Michael B. Jacobson
President / CEO