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Letter to the Editor  
Wall Street Journal  
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September 15, 2008

Wall Street Journal Editorial Board:

I read with great interest your 9/11/2008 editorial “Bailout for Billionaires” on Treasury’s takeover of Fannie Mae and Freddie Mac. Yes, Treasury’s takeover actions are illogically and perilously random in deciding who gets bailed out, such as billionaires and Chinese subordinate debt holders, while drowning community banks that hold preferred shares and the Main Street customers they serve. There is little rhyme or reason why billionaire sub-debt holders get a pass yet preferred shareholders get wiped out under Treasury’s scheme.

In contrast, the recent Bear Stearns government rescue plan spared preferred shareholders. So where is the rationale? Here’s a little clue. Washington policymakers noted the impact of the Treasury action would be immaterial to the banking system because only a *few smaller banks would be hurt*. In effect, for the small lenders serving Main Street *let them eat cake*. Yet the bulk of the nation’s 8,500 banks across America are community banks. Treasury’s takeover is crafted to protect the giant players. Never mind that community banks had nothing to do with the sub-prime debacle and the exotic financial knots a handful of the largest financial players got into launching this ongoing credit crisis in the first place.

Unfortunately, the fallout from giving billionaires and Chinese debt holders the gold and giving Main Street and community bank the shaft by wiping out their preferred shares saves very little. Rather, it hammers the entire economy as banks are forced to recapitalize in a troubled credit market and their lending to families and small businesses shrivels even further. There was no reason for Treasury to throw out the baby with the bathwater. Policymakers still have an opportunity to right this wrong. All reasonable options to mitigate the spreading damage done by drowning the preferred share market should be considered.

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Independent Community Bankers of America