

**From:** Smith, Gary [mailto:Gary.Smith@FairfieldCountyBank.com]  
**Sent:** Tuesday, December 16, 2008 3:36 PM  
**To:** Comments  
**Subject:** FDIC premiums

I am pleased to be able to comment on the FDIC's proposal to raise deposit premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system. As a healthy bank that has been paying deposit premiums for many decades, I support a strong FDIC insurance fund, but, believe that the fund should be recapitalized more gradually than proposed in order to maintain the highest possible level of capital in banks themselves.

The proposal to recapitalize the fund to 1.25% in five years will take capital from banks during one of the most difficult periods in our history when the banks need capital the most. Our goal should be to reach 1.15% in five years and then reassess our position and move forward. Over the past 15 years many companies have been allowed to enter the fund which never paid anything in deposit insurance until last year. This is in part the reason that the fund is now depleted. Allowing all of the non banks that have recently become or are currently applying to become bank holding companies to enter the insurance fund will only make the situation worse. These new members to the fund should pay a very large up front premium to help recapitalize the fund so that it will not be diluted by their membership.

The proposal to charge premiums on Federal Home Loan Advances is also ill timed. FHLB advances are one of the best sources of funds for asset liability management because the maturities can be structured to meet the bank's maturities. There is no other source of funds as flexible as FHLB advances.

The bank failures that have happened this year were caused by rapid asset growth and poor asset quality. The only way to stop these failures is to be more diligent in the examination process for banks that are growing very rapidly. I have been in banking for almost 40 years and it is always assets that cause a bank to fail, not the funding source. Please do not make our funding more expensive by rapidly increasing deposit insurance premiums and including FHLB advances, and CDARS in the deposit premium calculation.

Sincerely,

Gary Smith, President and CEO