Farmers State Bank

Member FDIC

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March 9, 2009

Sheila Blair Chairman
FDIC

RE: "Assessments, RIN3064-AD35"

Dear Ms. Blair,

Following I would like to comment on the proposed special assessment and the effects that it would have on this bank.

Farmers State Bank is a small bank located in Northwestern Kansas, and in 2008 we had a net income of $72,102. This is not a large amount in relationship to all the numbers being thrown around at this time in regards to the economy, but we are not a large to big to fail institution. Our emphasis is to take care of our community as best we can, and this net income increases our capital, enabling us to get a little bigger each year, enabling us to in turn help a little more each year.

This has been the philosophy of this organization since 1992, when the current management and ownership became involved with this bank. This philosophy is the direct result of this bank increasing in size 700% since that time.

In 2008 the FDIC assessments that this bank paid was $5,823, or 4% of our net income. The special assessment is estimated to cost us $38,239 or 53% of our 2008 income. The proposed increase in the assessment to 12 cents / hundred will increase our fee to $22,943 or 32% of our 2008 income. This proposal will cost us an estimated 85% of our 2008 income, and at this time for 2009 that income is not being projected due to the drastic reduction seen in interest rates.

This tremendous increase will negatively effect our community in numerous areas. This fee will be passed on to the customer as much as possible in the form of increased fees, lower interest rates on deposits, and higher interest rates on loans.

Taking this income out will also make it difficult to assist with funding some potential loan requests due to the concerns associated with the decrease in income and capital accounts.

This is a very unfair penalty been placed on community banks, that did not even participate in the practices that have caused our current problems. Approximately (3) years ago we were specifically criticized by FDIC because we were not involved in the practices that we now know were a problem. It was pointed out that we could significantly increase the profits for this bank if we would be more progressive and aggressive with these lending practices. Now we are being penalized so that practices that we did not agree with can be fixed.

There are many larger banks that have already received government assistance in the form of direct assistance or the TARP funds, why are the smaller community banks having to pay the bill. When we pay these assessments it will come directly out of our community, the larger banks will just pay this fee with some of the tax payer funds that they were already given.

Our hope would be that is that you seriously reconsider this proposal, I do not believe that you have considered all the ripple effects that this increase will cause on the main street individuals and businesses.

Thank you for your time and consideration regarding this situation.

Sincerely,
Kirk A. Lowry
Vice President