CBA

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March 30, 2009

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Comments@fdic.gov

Re: Assessments, RIN 3064-AD35

Dear Mr. Feldman:

The Community Bankers Association of Georgia (CBA) is a trade association representing over three hundred community banks in the state of Georgia. On behalf of the community banks of Georgia, we are submitting this comment letter regarding the Federal Deposit Insurance Corporation's (FDIC) interim rule imposing a 20 basis point emergency special assessment on all domestic deposits as of June 30, 2009. The special assessment would be in addition to the regular assessment for 2009 and includes authority for possible subsequent assessments of up to ten basis points each quarter thereafter.

Although the FDIC has stated that it could reduce the special assessment from 20 basis points to 10 basis points if Congress passes legislation increasing the borrowing authority of the FDIC, we want to be clear that a 10 basis point assessment would remain a staggering burden for the community banks in our state. This is especially true when most community banks are struggling due to the current economic downturn. An onerous special assessment, in addition to increased regular assessments, would negatively impact earnings and capital, and would further exacerbate the attempts of community banks to recover from the current economic situation. In turn, such an assessment would substantially limit community banks' ability to lend, further inhibiting a general economic recovery in our state.

We understand the importance of maintaining a sound deposit insurance fund and we support the goal of the FDIC in that regard. However, the special assessment unfairly and disproportionately affects community banks. While many community banks in our state are struggling right now with financial difficulties, most of the problems of Georgia's community banks directly result from the downturn in the housing market and the economy in general. For the most part it was the activities of the large banks that destabilized our economy with their risky practices. Yet, community banks are being asked to pay an extraordinary fee to subsidize these large, "systemically important" banks.

We strongly urge the FDIC to explore all alternatives for funding the Deposit Insurance Fund (DIF) in lieu of a special assessment including using its existing authority to borrow from the Treasury, issuing debt instruments to the public, or using its authority to borrow from the banking industry. For instance, borrowing from the Treasury would allow the DIF to remain industry-funded, yet would give the industry additional time to recapitalize the Fund.

If the FDIC determines a special assessment is required, we believe that the special assessment should be based on total assets (minus tangible capital), which is more indicative of risk, rather than total domestic deposits. It is estimated that an assessment of 12 cents per $100 of assets could generate the same revenue for the DIF as an assessment of 20 cents per $100 of deposits. Since large banks hold a proportionately larger share of total banking assets, large banks should shoulder more of their fair share of the special assessment.

Moreover, we support a systemic-risk premium for large banks. The additional premiums necessary to restore the DIF should be assumed primarily by the institutions with the greatest risk to the Fund. We note also that the “too big to fail” institutions have received billions of dollars in taxpayer assistance that would serve to defray the cost of the special assessment for these institutions. This assistance to “systemically important” institutions should be taken into account in determining any special assessment.

To further reduce the negative effects of a special assessment, the accounting rules should be changed so that banks can amortize the special assessment over a period of years. This would be particularly beneficial if additional emergency assessments are imposed.

In conclusion, we urge the FDIC to carefully explore all alternatives to funding the DIF other than imposing a special assessment. If a special assessment has to be imposed, we urge the FDIC to limit the amount of the special assessment. We also urge the FDIC to change its assessment base by using total assets (minus tangible capital) in lieu of total deposits. We further urge the FDIC to charge a systemic risk premium and allow institutions to amortize the premium over a period of years. Community banks should not be penalized and be forced to take money out of their communities as a result of a special assessment.

Sincerely,

Steven D. Bridges

Steven D. Bridges
President and CEO
Community Bankers Association of Georgia