From: John Erdody [mailto:jerdody@first-bank.com]
Sent: Monday, March 09, 2009 9:07 AM
To: Comments
Subject: FDIC premium assessments

To the FDIC:
I am writing in regards to the special assessments being proposed by the FDIC whereby the smaller, well-managed, prudent community banks of this country will pay for the sins and reckless abandon of the poorly managed, wasteful, selfish practices of the large financial institutions. In fact, I would also apply those latter characteristics to your own inept institution. I find the exorbitant premium increases and assessments to be truly disgusting. Your typical bureaucratic attempt to justify such measures as “necessary” to prevent widespread calamity are complete nonsense.

I work for a community bank in Upper Michigan. While small in the national sense, we have a very strong and stable position in our market. We have consistently ranked among the top performers nationally for banks of our size. Our profitability, capitalization, and consistency are things that we take considerable pride in. First Bank is a strong financial institution. Our owners and senior management have always emphasized making prudent and conservative decisions in order to provide the best possible service for our customers. We realize that as a community bank, our success is tied to the success of our local residents, businesses, and other institutions. That is an attitude that is completely foreign to most large banks. And as our reward for literally years of growing the success and reputation of our bank, the FDIC would mindlessly come in and demand that we give an enormous portion of our funds to those banks that have done nothing but thumb their nose at prudent banking practices for years.

In 2007 our FDIC premium was approximately $14,400. In 2008 it was around $100,000. For 2009 it was projected to be $200,000. Now you would have us pay an additional assessment of $238,000 with the option for more!!! The contempt I have for the FDIC and its political kind is truly hard to put into words. You will literally destroy many small banks with such demands. Our bank is strong, and yet those fees will greatly affect our operations. Other banks which have done their best to weather the current economic storm simply may not be able to survive your draconian fees.

Let me explain in simple economic terms what your assessment would mean:
1) Lower profits for the firm(s) assuming the risks and making the right decisions;
2) Less money available to employees (pay, profit-sharing, 401(k) matching);
3) Less money available to fund employee benefits;
4) Less money to sponsor local events, organizations, or charitable causes;
5) Potential layoffs;
6) Increased costs and fees to customers as banks try to recoup revenues;
7) Less money available to pay to depositors.

As recently stated in the Wall Street Journal, the FDIC for years skated by and collected little in the way of premiums, and now intends to take money from those who have it in one fell swoop. As the Treasury is pouring billions of dollars of capital into failing banks, you intend to suck billions out of the smaller, yet successful ones.

As of today, the FDIC is considering an assessment of 10 basis points – half of the original intent (with the option for 10 more basis points). Are we supposed to feel grateful? Do you think we should just shut up and be thankful that it isn’t more? I think all you folks should go jump in the damn lake!

Despite what you morons all believe, the failure of a large company (financial or otherwise) is not going to start the apocalypse. To the contrary, the economic health of this country will not improve until poorly run companies are allowed to fail, and the successful companies can be assured of keeping the fruits of their labor – regardless of size.

As a typical political, bureaucratic cluster, the FDIC seems to lack anyone with true leadership qualities and the ability to make difficult but ethical decisions. Just so you know, the correct decision in this case is to say “no” to the failing banks, and make them sleep in the bed that they made. Instead, you seem content to strong-arm the smaller institutions into more and more onerous regulations.

Your assessments will force many otherwise successful community banks to the brink of failure. At a minimum, your actions would have far-reaching, negative ramifications for the communities in which these banks operate. The FDIC’s proposals are wrong, unfair, and represent incompetence of the highest order.

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