From: Brian Pohlmeier [mailto:brianp@hcsb.com]
Sent: Monday, March 30, 2009 5:57 PM
To: Comments
Subject: FDIC Insurance Assessment

Chairman Bair and Members of the Board
Federal Deposit Insurance Corporation
Washington D C

As a Texas Community Banker that did not contribute to the current financial and "liquidity" crisis I am disappointed at the FDIC for proposing the special assessment of 20 bps. Community bankers are the first to recognize the need to replenish the DIF fund; we are responsible for funding the fund. My bank, HCSB, in Plainview, Texas marks our 75th anniversary this year and has paid its fair share of FDIC insurance premiums.

Main Street community banks and Wall Street Bank's have little in common with the customers and types of business that we service. Asking Main Street Banks to contribute such a large portion of their projected earnings to recapitalize the DIF is a mistake. At the same time we are asked to contribute large portions of our capital to the DIF we are asked by the President and Congress to be aggressive in lending to Main Street America. These two plans do NOT go hand in hand. To bootstrap Main Street America back with loans from Community Banks will require Capital to support this projected loan growth. You cannot have it both ways. Our healthy industry encourages the FDIC's board to reconsider this blatant mistake by "taxing" community banking for the pitfalls based on greed of the mega-banks that are too big to fail. Follow the lead of OTS Director John Reich and acknowledge it's unfair to charge community banks for problems created mostly by the largest banks. Mr. Reich also backs a recommendation from the Independent Community Bankers of America for the FDIC to levy a special premium on financial institutions deemed too-big-to-fail.

Texas community banks neither participated in nor profited from the absurd excesses that so significantly contributed to the present economic malaise. With that said, they are still paying a heavy price, with increased deposit insurance premiums, stressed real estate markets, rising unemployment, an irrational deposit marketplace with new and liquidity starved banks offering ridiculous rates, strained net interest margins and anxious customers and regulators. As you can likely surmise, there is little support for a special assessment at this juncture by soundly operated community banks.

AS SUCH, I AM STRONGLY OPPOSED TO ANY ASSESSMENT ON COMMUNITY BANKS AT THIS TIME. While we are appreciative of the Congress looking to expand the FDIC borrowing authority from 30 billion to 100 billion, which would perhaps reduce the FDIC assessment to 10 basis points, I strongly urge you to consider other options to eliminate or reduce the earnings impact of all community banks as follows:

- Given the strains on earnings already in play, this special assessment will be especially painful. As discussed previously, shrinking net interest margins created in part by federal government intervention, increased loan loss provisions, extremely low interest rate environments and increasing costs have created some very real challenges to many

of our historically well run community banks. Adverse consequences include curtailment of contributions to local charities, cutting back on employee training, delaying or canceling expansion plans and even staff reductions in some instances.

- The FDIC Board has no doubt weighed the options of expanded borrowing authority through the Treasury as well as creation of some type of debt instrument. The FICO model may have some efficacy, as could a special issue of debt purchased by the banks, and should be considered as an option to a special assessment.

- If a special assessment is unavoidable, several options, or combinations thereof, could potentially mitigate some of the damage to the community banking industry:
    - An assessment based upon assets, with an adjustment for capital, would rightfully place more of the burden on those who have more culpability in this current economic downturn. Community banking has argued for years that the "too-big-to-fail" banks receive greater value for their FDIC premiums. It would appear to be time to recognize that inequity.
    - A "systemic risk" premium should adopted, both for this pending special assessment as well as ongoing FDIC premiums.
    - An ability to amortize this extraordinary expense over several years would be most helpful. If FASB has an issue with this, Congress can clearly override, and should do so.

- Finally, the FDIC Board as well as Congress should seriously consider the "bifurcation" of the industry to recognize the ever-widening chasm between community banks and the money center and super-regional financial services conglomerates. The distinctions between these two divergent groups have never been more obvious. We believe that a well-capitalized population of community banks, with appropriate regulatory oversight, poses minimal risk to the system or the fund, and would go so far as to encourage discussion of a separate insurance fund for community banks.

I certainly understand the challenges faced by the FDIC in these troubled times, and appreciate the difficulty of the decisions facing the FDIC Board. Additionally, I am grateful for both the open communication throughout this process, and your thoughtful consideration of these comments.

Sincerely,

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