From: Steve Tscherter [mailto:SteveT@mylsb.com]
Sent: Monday, March 09, 2009 10:38 AM
To: Comments
Subject: Assessments, RIN 3064-AD35

Chairman Bair:

Your agency's action to reduce the Special Assessment announced a little over a week ago from 20 basis points to 10 basis points gives me some relief and reduces the vitriol in this communication. Your original proposal, combined with our regular assessment, would have taken one-third of our projected income for 2009 and made it difficult to remain well capitalized by your stiff standards. As you know, when earnings and capital levels are negatively impacted to such a degree, bank stock valuations by market appraisers may also decline substantially; and, as an acquisitive bank, we would begin to see challenges to market capitalization and perhaps write downs of goodwill on our books from no less than eight separate acquisitions over the past 21 years. At least three of those eight acquisitions saved the FDIC from some further losses given the condition of those institutions. I trust you can see the implications of a vicious circle of earnings and capital deterioration – all begun by our government's poor supervision of Wall Street moguls and GSEs like Fannie and Ginny. As an alumnus of your insuring GSE, I know the Treasury and Congress are to blame for this calamity in their ultimate zest to allow everyone possible in the USA to own a home; but, we need to have more support for community banks in the process as we will be in the forefront of the effort to return some normalcy to the American economy. Even the 10 basis point special assessment now on the table will hinder this effort, likely eroding our earnings for the year by 20 to 25%!

We remain near the 90% loan to deposit ratio we have historically maintained throughout this calamity, giving evidence to our support of the economy and businesses dependent on borrowed capital. Our asset quality and loan delinquency ratios are far better than the average, even in our home state of Iowa – the conservative bastion of the US. But, with net interest margins cut to the bone as a result of the economy and competition with tax-favored credit unions and the government-supported Farm Credit Association, we face an extreme challenge to remain upbeat! It has taken ten to twenty years to get this country in the deepest recession since the thirties – let's not try to dig out in a year or two. Have patience and look to the long-term improvement this morass requires. Be a champion in the halls of Congress for better government supervision of the culprits. Be supportive of community banks' unique position to aid in the long-term economic recovery. Don't bury us in an avalanche of assessments, regulation, and unnecessary GSEs. Avoid promulgating an even worse economic scenario with some patience and foresight.

Those banks considered too-big-to-fail need to pay premium assessments reflective of their status in this time of rebuilding! They have received billions in government handouts despite their poor administration and greed. Though not subject to your direct supervision, the largest banks in America need better regulation and more accountability for their past sins. Salary and expense controls at the upper levels of those organizations are only starting points! Please use your status on the FFIEC to facilitate a responsible degree of regulation and accountability for those behemoths. It has become painfully obvious what will happen if we don't do this!

Respectfully,

Steve Tscherter
President & CEO
Lincoln Savings Bank
Reinbeck, Iowa