UNION SAVINGS & LOAN ASSOCIATION
730 CENTRAL AVE
CONNERSVILLE, IN 47331
TEL(765)825-2171
FAX(765)825-2172

COPY

March 4, 2009

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street
N.W.
Washington, DC 20429

Re: RIN 3064-AD35
Interim rule - Assessments

Dear Chairman Bair and Board of Directors:

The Regulatory Flexibility Act (RFA) requires that each federal agency either certify that a final rule would not have a significant economic impact on a substantial number of small entities, or prepare an initial regulatory flexibility analysis of the proposal and publish the analysis for comment (5 U.S.C. 603, 604 and 605). Although it is reported that the RFA does not apply to the interim rule to impose a 20 basis point emergency special assessment on June 30, 2009, the interim rule states that the FDIC is voluntarily undertaking a regulatory flexibility analysis and is seeking comment on it. The interim rule, under paragraph IV, seeks comment on every aspect of this rulemaking. Paragraph IV further seeks comments on particular issues.

This comment addresses the interim rule, in general, as well as comments sought pertaining to the Regulatory Flexibility Act.

Let me first acknowledge the difficult decisions facing the FDIC with regard to the Deposit Insurance Fund. Also, I appreciate having the opportunity to respond, and hope that responses will be seriously considered.

I agree with the principle that any system of insurance requires, to some degree, that premiums paid by well-managed and healthier institutions cover the losses caused by their weaker counterparts. And because of that, the regular assessment rate schedule effective for the second quarter, 2009, is understandable. On the other hand, there is something very fundamentally wrong with punishing our community banks' good behavior to reward the ill effects of the poor decisions made by the largest institutions in the world.

During the onset of the "Financial Crisis", as Congress and regulators were attempting to calm the fears of Wall Street, and free-up credit, the community banks of the country continued to offer loans to qualified borrowers and had a significant calming effect on

Main Street. As the crisis escalated, everyone seemed to be looking for someone to blame for the situation and the consensus was that blame be shared. Those named in the discussions were the largest of financial institutions, unscrupulous mortgage brokers, policy makers, and consumers in general. The discussion never included community banks.

Although having little, if any, involvement in the crisis, community banks have already suffered from the fallout. Property values in our community have declined to the point that borrowers are walking away from their houses because their mortgage now exceeds the homes' worth. Foreclosure prevention stimulus will not help this situation in that it has become easier for the borrower to walk away. This trend is growing and losses associated with those properties will continue to grow. During the credit freeze, the multi-national and regional banks were paying irrational interest rates on CD's to attract funds that could not be obtained elsewhere. This impacted the cost of funds of the industry and had a squeezing effect on margins.

Although we have had current earnings sufficient to absorb those ill-effects, the ability to stay profitable is becoming ever more difficult due to growing loss reserves, squeezed margins and the growing cost of regulations.

To impose a 20 basis point emergency assessment, with the suggestion of possible additional emergency assessments, will not only have a significant economic impact on a substantial number of small entities, it will be demoralizing to the boards, management and employees of those entities.

I do not accept the argument that Congress would look skeptically on some other course of action. Fed Chairman Bernanke testified just this week that regulators were "asleep at the wheel" as AIG made poor decisions requiring an additional $30 billion dollar injection of taxpayer funds bringing their total to $150 billion. The argument was that AIG is too large to fail. If AIG is too large to fail, I would suggest that the cumulative effect of the community banking institution failing would have as far reaching effects.

The largest of corporations have received a significantly disproportionate amount of TARP funds. In fact, because of community banks' capital and liquidity positions, they did not require the funds. Now, both liquidity and capital of those responsible institutions are going to be negatively impacted for years to come due to the necessity to replenish the Deposit Insurance Fund. Although the AIG's of the world have not received FDIC funds, it was their actions, along with the actions of the largest banks in the world, that contributed to the environment causing the failures that <u>did</u> deplete the Fund.

My institution is a mutual thrift and, in addition to increased regular FDIC assessments going forward, we will continue to pay 42.5% in federal and state income taxes each year. Although we are owned by our depositors, we are not afforded the same luxury as credit unions which pay no income tax at all.

For me, there is a reasonably simple solution to the impending immediate problem which will not break the small entities of our financial system and will not require funding by the taxpayers at large. It is time to eliminate the indefensible law exempting profitable credit unions from income taxation. It is also time that the community banks of our country be given a proportionate benefit from a portion of the remaining TARP funds. If AIG is deserving of $150 billion of taxpayer money, surely the 4,567 small depository institutions in our country are deserving of some additional consideration.

I propose that the interim rule setting a special assessment of 20 basis points be eliminated. In its place, I suggest that Congress allocate a portion of the TARP funds to immediately increase the Federal Deposit Fund; these funds to be paid back by tax revenues generated from income taxes generated from our Nation's credit unions. Once the TARP funds are returned, the income tax revenues generated from credit unions will become part of the general fund to help offset a small part of our trillion dollar deficits going forward. If Congress is capable of passing a stimulus package over a period of weeks, there should be ample time to implement this alternative.

I thank you for this opportunity to respond.

Respectfully Yours,
Union Savings and Loan Association

Mark Boehmer, President

cc: Richard Lugar, Senator
cc: Evan Bayh, Senator
cc: Indiana Bankers Association
cc: American Bankers Association