From: Charlie Saeman [mailto:charlie.saeman@crossplainsbank.com]
Sent: Monday, March 09, 2009 5:22 PM
To: Comments
Subject: Assessments, RIN 3064-AD35

March 9, 2009

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

In re: Assessments, RIN 3064-AD35

Dear Sir or Madam,

It has come as a significant shock to this Community Banker to learn of the proposed Emergency Special Assessment of 20 basis points. Even prior to the discussion of a special assessment, my bank was projecting a greater than 4 fold increase in assessment from 2008 to 2009 (from $194,000 to $843,000). With the 2 bp increase in the standard assessment rate plus a full 20 basis point assessment our bank's premium would go an additional $1.16 million more to a total of $2 million or more than 10 times what was paid in 2008. Assuming our capital is leveraged by 8 to 10 times that translates into as much as $16 million in loans we could not make without hampering our capital levels. Please note that we are a "well capitalized" bank with a very good rating from our regulators.

It is my fervant hope that the FDIC will see fit to reduce the Special Assessment by at least 10 bp to no more than 10 bp total. I also hope that the FDIC will see fit to reserve it's potential to increase the rate in any quarter (the 10 bp reservation) until 2010 at a minimum. The first reaction I have heard from people close to this situation is a question of whether the FDIC wishes to put more Banks in trouble. If the FDIC is worried about public reaction to an FDIC insurance fund that is too low, it should also worry about the public reaction to an FDIC insurance increase that will exacerbate the impacts of the recessionairy problems already faced by banks in the laying on to those who have NOT caused the problems. Our shareholders may have to face the prospect of a drop in dividend payment. Do not think for one moment that that potentially necessary reaction to the FDICs action will provide comfort or confidence in their investment in community banking or in the banking system as a whole?

We need the FDIC to help us maintain the value of our Community Bank franchise. We do not need the FDIC needlessly and substantially burdening the community banks who have appropriately avoided the issues of those institutions who are not only too big to manage and too big to regulate but have become to big to fail. And yet the Federal Reserve can put additional capital in those institutions while the FDIC takes capital from the rest of us. How strange it seems that on the day the FDIC announced the special assessment anticipating $27 billion in insurance fund support incoming while AIG was promised an additional $30 billion in Treasury funds outgoing.

In reaction to the FDICs potential actions we will have to engage in a dialogue at our Board and Stockholders meeting (April 21) as to how the government has made our burden greater and what we therefore must do to preserve the strength of our franchise. We will no doubt discuss a slowdown in growth (fewer loans) and even consider some of the substantial donations we have made in our communitites. Perhaps our $100,000 donation to the library will be stretched to 10 years from 5. Perhaps our donation to the community sports facility will have to be reconsidered. Our staff will certainly not be pleased to hav$2,000,000 in FDIC insurance premiums for 2009 is $1,800,000 more than 2008. $2 million in premiums is 37.7% of our budgeted pretax incomer for 2009.

While we know it is the strong who pay for the weak when it comes to insurance, Community Banks are being unfairly penalized for institutions who are systemically important. How sad that our regulators, our government, did not listen when community banks warned that these institutions were to big to fail. It is shameful that we have to learn the hard way and we have to pay because our voice was not heard.

In the future, I would hope that a concerted effort would be made to reorganize these institutions into a size and a scope of business that can be properly regulated. In the future, it would be appropriate for the FDIC to look at a new basis for determining insurance premiums placing the analysis not on deposits which cause no risk but on assets where the risk resides on the balance sheet of those failed institutions. That way those who evade deposit insurance premiums through wholesale nondeposit funding mechanisms will be charged a prorata share of premiums for the risk they put on the balance sheet. In the future, I would hope that accounting rules could be redefined so that mark to market valuations more appropriately value assets. We have learned in this crisis that mark to market accounting rules have exacerbated a real problem because of writedowns needed – not because an asset was being sold, but because the market was taken away in extraordinary fashion.

I urge the FDIC to do whatever it can to lessen the impact of the insurance premium burden placed on community banks.

Thank you for your consideration
Charles L. Saeman
President & CEO

State Bank of Cross Plains
$700 million bank, nine offices in Southern Wisconsin