From: John Sharp [mailto:sharp@sharpinformatics.com]
Sent: Wednesday, March 04, 2009 2:21 PM
To: Comments
Cc: info@icba.org; Richard Cott; Gay Griffiths; JoOberg; Nancy Schottelkotte; Kelly Donley; John Sharp; Carolyn Williams; Dwight Ferguson; Dan Heeren
Subject: Re: Federal Deposit Insurance Corporation- increased assessments for 2009

Sheila C. Bair
Chairman Federal Deposit Insurance Corporation
550 17th Street, N.W. Washington, DC 20429

Re: Federal Deposit Insurance Corporation- increased assessments for 2009

Dear Madam Chairman:

I am a Director of the Union State Bank, which has $138,000,000 in assets. We are primarily an agricultural bank, locally chartered, and mostly locally owned. We have always prided ourselves in being a community bank that supports our local customers and the community. We believe the best way to remain a viable community bank amongst all the large, too-big-to fail financial institutions is to offer outstanding customer service, actively support and participate in the community, and operate the bank in such a manner that we remain fiscally sound, even if we have the occasional bad loan.

Like some of the larger banks in the national spotlight, 2008 was a difficult year for our bank. We were required, by regulators, to take a loss on a loan secured by the stock of another financial institution that was taken into FDIC receivership. This loss resulted in our leverage capital ratio falling from an average of 10.5% for the previous five years (2003-2007) to 9.75% at the end of 2008. Our net income after taxes for 2008 was $12,000 after the $1.6mm loss, compared to an average net income after taxes of $935,000 for the previous five years (2003-2007). This loan had been on our books for many years and a significant portion of the original amount had been paid off. The bank that went into receivership was always a highly rated bank and the positive report from last June was rewritten in July. We immediately requested more collateral for our loan. Another bank in the same holding company was not in trouble and this bank was offered as collateral. When the original bank went into receivership the FDIC stepped in front of us and took the good bank. From our sources at the FDIC this situation had only occurred 12 times in the last 20 years and in 9 of those times the FDIC did not take possession of other banks in the holding company. In the current banking environment is was incredible that the FDIC would take this action when it had done so only 25% of the time in a much stronger economic situations. The most incredible comment as to why this was happening was that our bank was healthy and could withstand the loss. **So as far as I can tell we made a $1.6mm contribution from our capital to the FDIC last year because we could take the hit and survive. I am sure that our loss will be much greater than the value the FDIC gets when the good bank is sold.**

Why were we in a position to survive after taking a loss that resulted in a profit

being reduced from a record year of more that $1mm to a few thousand dollars? We had always been given a number 2 ranking for profit and this last year that was downgraded to a number 3. Our rate of return was not high enough compared to other banks and especially to the banks that were 'too big to fail.' We could have invested in the higher return loans and securities that got other banks in trouble but we did not. The TARP funds that are now going to the banks that are 'too big to fail' are not going to benefit us in the least. It is even going to make us work harder because we have to compete with these same banks that are allowed to exist when they have negative capital. Why not break those banks into smaller banks that have to compete by the same rules that we do? **If we make a series of bad decisions we fail and we do not exist - if the 'too big to fail' banks had this burden they may not have taken as high risks that they did.**

Why are TARP funds not used to back fill the FDIC reserve instead of saying all of the conservative small town community banks can now pay for the risky and incompetent behavior of much larger banks who the FDIC allowed to focus on short-term gains that were inflating their values. If it were the other way with the 'too big to fail' banks being asked to pay for the financial misdeeds of small community banks, then they would make sure that the government would help instead of them bearing the expense.

The FDIC's Board of Directors decisions to make small community banks part of the re-capitalization of the FDIC reserve fund by increasing the assessment rate between 12 and 16 basis points would cost our financial institution between $90,000 and $120,000, which is 3% to 4% of our annual operating budget. The one time special assessment of 20 basis points is an additional $150,000 in expense to our bank or 5.5% of our annual operating budget. Our cost to replenish a fund depleted by banks that did not operate responsibly is $240,000 to $270,000 or 9% to 10% in additional operating costs!

As a community bank with assets less than $150million, we feel additional assessments as outlined by the FDIC's Board of Directors is an unfair burden on a bank that has strived to operate in a fiscally sound manner. We will most certainly feel the pressure to pass along some of the additional costs to our customers by way of higher interest rates on loans, lower interest rates on deposits, higher fees for services. We will also forgo capital purchases that would stimulate the economy and were in our 2009 budget, to make up the shortfall of $250,000 caused by this unbudgeted assessment.
We feel that community banks that are fiscally sound with assets less than $150million should be excluded or at the very least, assessed at a much lower level in comparison to the much larger financial institutions that directly contributed to this crisis in the national and international financial system and economy and the FDIC reserve fund.

Now after 'giving' $1.6mm to the FDIC last year because we could survive, you are now asking that we send an additional $250,000 (one-fourth of our estimated 2009 profits) to the FDIC this year to make up for the misdeeds of banks who the FDIC allowed to invest in extremely risky assets.

Thank you for your consideration of these comments that address the FDIC's new

assessment rates on all banks for 2009. Clearly, such an exemption or reduction is called for in the interest of fairness.

Sincerely,
John Sharp
Director
Union State Bank
505-243-1498
cell 505-710-1370