From: Sam Scott [mailto:sam@ScottBancShares.com]
Sent: Thursday, April 02, 2009 12:29 PM
To: Comments
Subject: 20 basis point special assessment

Mr. Robert E. Feldman:

I am strongly opposed to the proposed 20 basis point special assessment. Community banks did not participate in the risky practices that led to the melt down of the economy and subsequent bailout of large banks. If imposed, the special assessment will cost our bank an additional $115,000 on top of the regular quarterly assessments which have more than doubled since this time last year. We are projecting that this special assessment when combined with the current quarterly assessment rate will approach 20% of the bank's 2009 net earnings.

Scott State Bank continues to make funds available for consumer, commercial and real estate loans. We continue to do our part in keeping the economy moving. We are well capitalized with a capital to asset ratio exceeding 15%; we should not be penalized for adhering to prudent lending and investment guidelines. Unfortunately, the additional cost incurred from rising FDIC premiums may restrict our lending activities and the variety of loan programs that our communities desperately need to stimulate the economy.

May I suggest there are other options that make sense that are available to FDIC to mitigate the need for the special assessment at this time:

- Base the assessment on total assets and not domestic deposits. This could generate the same amount of revenue and would be more equitable since larger banks, which impose more risk to the insurance fund, have a proportionately larger share of total banking assets than domestic deposits.
- Use your authority to borrow from the Treasury. This would give banks more time to pay the principal and interest on these bonds.
- Consider a systemic-risk premium for the large, systemically important banks. Since it is now evident that these institutions are "too big to fail", they should be assessed a special premium for the additional risk of insuring these institutions. More than likely, they will have the availability of TARP funds to pay these premiums.

I also request the agency's support in changing the accounting rules which would give banks the opportunity to amortize any special assessment over a period of years.

Again, I urge the FDIC to consider all alternatives for funding the deposit insurance fund in lieu of this special assessment.

Sincerely,

Sam Scott, President
Scott State Bank, Bethany, IL