From: Zan Prince [mailto:zan@zanprince.com]
Sent: Wednesday, April 01, 2009 3:03 PM
To: Comments
Subject: Assessments, RIN 3064-AD35

Dear Chairman Bair:

With great concern for the health of our national and local economy and the health of the financial system, I ask you to consider alternatives to either a 20 or 10 basis point assessment on the banks that have funded the FDIC in the past and have operated their institutions in a safe and sound manner, not causing a threat to the fund.

As a Board member of a community bank that was chartered long before FDIC insurance existed and four sister institutions, I know that our Banks and other banks like us across the country did not create the problem and should not be required to pay for the mismanagement of others, especially institutions that have received billions of dollars of government capital and assistance, and for newcomers to be covered. The FDIC has embraced deposits that have not paid their dues to the FDIC. Over the years, community banks have paid premiums while watching newcomers welcomed into our insurance fund without cost to their institutions. The lack of fairness is startling without an emergency assessment that would confiscate capital from the banking industry. The healthy banks would be hard hit with a premium payment equal to 30 to 50% of 2009 profits. A bank on the edge would be pushed into insolvency, thus creating additional stress on the fund.

- **Community banks are being unfairly penalized.** Community banks didn't participate in the risky practices that led to the economic crisis, yet we are being penalized by having to pay this onerous special assessment on top of regular assessments that are more than double those of last year. The community banking industry is the bright spot in this current economic storm. The vast majority of community banks are well-capitalized, common-sense lenders that have been and want to continue to help in the economic recovery process in cities and towns throughout America. This special assessment will only hinder our ability to do so.

- **The FDIC should explore all alternatives for funding the DIF in lieu of the special assessment.** There are many alternatives to funding the DIF in lieu of imposing a special assessment, including using its existing authority to borrow from the Treasury, issuing debt instruments to the public or using its authority to borrow from the banking industry. The DIF would still be industry-funded if the FDIC used its borrowing authority, but the industry would be able to pay the cost of recapitalizing the DIF over time. All of these alternatives should be thoroughly examined with community bank input.

- **Any special assessment should be based on total assets (minus tangible capital), not total domestic deposits, so that banks that caused the problems pay a bigger share.** In the case of a 20-basis-point special assessment, ICBA estimates that if the assessment base was broadened to total assets (minus tangible capital), the same amount of revenue could be generated for the Deposit Insurance Fund (i.e., approximately $15 billion) by assessing every bank approximately 12 cents per $100 of assets as opposed to 20 cents per $100 of domestic deposits. I support broadening the assessment base to include total assets (minus tangible capital). Since large banks hold a proportionately larger share of total banking assets than total domestic deposits, large banks would shoulder more of their fair share of the special assessment if the assessment base was broadened to include total assets.

- **Accounting rules should be changed.** I support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years.

- **Systemic-risk premium for the large banks.** I support a systemic-risk premium for the large, “systemically important” banks. This premium should be large enough to pay for the substantial risk of insuring these institutions. Please consider the assistance provided systemically important institutions in determining the special assessment.

- **Failing large banks will have access to TARP money to pay for the premium.** It’s unfair that so many of the large banks have received tens of billions of dollars of TARP money and will have the ability to use these taxpayer funds to pay this premium.

We have paid our dues, and we’re committed to the safe and sound future of the banking industry that will serve the financial and charitable needs of our community. We need a level playing field. I appreciate your consideration, and I ask you to find alternatives to the additional assessment.

Sincerely,
Zan S. Prince
First National Bank, Weatherford, Texas
First National Bank, Baird, Texas
First National Bank, Bedford, Texas
First National Bank, Munday, Texas
First Security Bank, Beaver, Oklahoma