From: John Buhrmaster [mailto:jhbuhrmaster@firstscotia.com]
Sent: Thursday, April 02, 2009 3:38 PM
To: Comments
Subject: Special assessment, RIN 3064-AD35

John Buhrmaster
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April 2, 2009

Comments to FDIC

Dear Comments to FDIC:

Chairman Bair,
Thank you for taking the time to speak to the community bankers at the ICBA National Convention in Phoenix last month. Your visit was well received by the nearly 3,000 bankers in attendance.

Thank you as well for taking the time afterwards to listen to the concerns of individual bankers, myself included. It was encouraging to hear your grasp of the issues we face every day in our small banks. We are the engine that drives this country's economy, and the fuel for that engine is the capital we treat with great care. Without strong capital, we would not be able to make the business loans that small businesses need, or the consumer loans that help families buy a car or a home.

I am deeply concerned that if the FDIC Board adopts a special assessment, regardless of the amount, it will affect our ability to lend. Like most community banks, we rely upon retained earnings to build capital. The special assessment will take capital out of our bank at a time when loan demand is as strong as I have seen it in years.

We strongly recommend the FDIC use their line of credit to help delay the impact of a special assessment at a time when our lending ability is most needed to get our country moving again.

The real life effect of the looming special assessment on our bank is that we have had to greatly curtail our consumer lending. At the end of 2008 our risk-based capital was at an all time high, as well as our profit and nearly all of our ratios. Unfortunately we had to post a significant accounting impairment against our capital due to the decline in value of our defined benefit pension plan. I know you share our belief that defined benefit plans are what is best for the average wage earner, but the accounting rules that currently govern those plans severely penalize banks that provide pensions. Due to the pension impairment combined with the anticipated effect of the large special assessment, we needed to move our lending from 100% risk category (consumer loans) to the 50% risk category (residential mortgages) and the 0% risk category (deposits at the Federal

Reserve).

We are an 86 year old community bank located in the Capital District of New York State with assets of $300 million. Consumer car loans make up 40% of our loan portfolio, with the remainder evenly split between small business and residential real estate loans. We have indirect lending relationships with over 90 vehicle dealers in our market area. Despite the dire news from the automobile industry, the demand for auto loans from community banks is as strong as it has been in years. This demand primarily comes from the exit of some regional banks and captive lenders from the marketplace.

We are not able to meet this demand due to the potential loss of capital from the FDIC Special Assessment. This special assessment is already affecting my customers.

In addition to using alternative methods to delay the impact of a special assessment, we urge the FDIC to examine the risk assignments for consumer and small business loans in the Risk Based Capital formulas. Lowering the risk from 100% to 50% would help to free up capital to spur lending in these areas, without cost or significant risk to the FDIC.

In conclusion, I strongly urge FDIC to explore all alternatives for funding the DIF in lieu of the special assessment. The community banks in this country did not cause this crisis but yet they and their customers will pay a hefty price if this special assessment is imposed.

Sincerely,

John H. Buhrmaster
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