From: Lyndell N. Beard [mailto:lbeard@beardlaw.com]
Sent: Thursday, April 02, 2009 4:18 PM
To: Comments
Subject: RIN #3064-AD35 - Levy of a special emergency 20-basis-point assessment

Dear Sir/Madam:

When I first learned of the FDIC's plan to levy a special emergency 20-basis-point assessment on all banks to recapitalize the deposit insurance fund, I was in shock.

At a time when the President, Congress, and all other governmental bodies (except the FDIC) recognize and are pushing for banks to make more loans, the FDIC comes forward with a plan that will definitely force banks to make fewer loans.

In this troublesome time, banks must have greater liquidity as invariably many positive, historically productive debtors will ultimately suffer financial reversals. The only options for banks to increase liquidity are to 1) increase retained earnings by reducing or eliminating distributions to shareholders, 2) sell additional bank stock, 3) cease charitably giving, or 4) make fewer loans.

I reside and practice law in a small rural community which has greatly benefited from the actions of our "community" banks. Our community with a population of 10,000 provides goods and services to a rural trade area with a population of 90,000. Until now, our conservative and fiscally responsible actions have assured us a steady but slow economic growth, even in tough times. We have no booms but also no busts.

As I represent and/or have a relationship with a number of our community banks, I am aware that if the FDIC continues with its plan, the projected average monthly cost to all our community banks is $200,000 per month.

This is highly problematic as our local community banks have already increased liquidity by exercising option 1, which is reducing distributions to shareholders so that they can continue to make loans and make donations to local organizations which greatly benefit our community residents.

As to option 2, the sale of additional bank stock, these banks have already reduced or eliminated distributions to shareholders, and no one is really interested in acquiring stock that will provide no ongoing return on investments, not to mention that during this serious economic downturn the news media constantly broadcasts concerns about continuing bank failures. Investors who will accept a zero income return will invest in land or technology stock, not banks.

The only options left to our community banks to obtain more funds for liquidity and/or to pay this additional $200,000 per month to the FDIC is to cease funding of local organizations and make fewer loans by accepting a reduction in size. The implementation of these options to pay for the FDIC's special emergency assessment will rip the heart out of our local economy by forcing our community banks to cease their generous corporate giving and by strangling local existing business as lines of credit are reduced and new businesses are never born due to a shortage of loans.

The community banks who have made their profit acting as bankers by working the spread of interest payments on loans from debtors versus interest payments to account holders, will not be able to afford the insurance on increased deposits as the profit in this spread is virtually eliminated by this special emergency assessment. If banks have no incentives for deposits, then banks cannot make loans and the banks' loan portfolios will ultimately shrink.

This equation and the supporting logic is not complicated.

The FDIC has other options and tools which will not have an adverse impact upon lending. As the object of the FDIC is to instill confidence in depositors so that they make deposits, *for the ultimate national goal of banks having money to lend*, it seems horribly short sighted, territorial and pathetically bureaucratic that the FDIC is considering an option that attacks the national goal of freeing up credit.

Please note that this terse and disappointed writer cannot pass on the opportunity to make the point that even most blue-collar workers now know that the difficulties of our nation's largest banks (and thus the FDIC) arose from the fact that these institutions did not act as banks, but as investment houses and focused upon making their money in up-front fees instead of working the spread. However, to now squeeze community banks to the point where they must retract their business and public donations to such an extent that it harms a local economy which has been ignored by these large banks, when other options are available, is negligent to the point of being truly ABSURD! To the "Masses" and "Mainstreet" who will be harmed by this, they will see these actions as criminal.

I have written this comment using strong language so that hopefully it will stand out from what will assuredly be mild language attempting to express the illogical aspects of the FDIC's plan. I hope the reader can find this email exciting and interesting enough so that this comment will be included in published materials and addressed in conferences.

Always bear in mind that this special emergency assessment will quickly devastate many rural communities, whereas the fall of Wall Street has caused no major damage at this time. You at the FDIC, who are in place to protect depositors, will ultimately inflict great harm upon depositors if this plan continues. I beg of you, please pursue your other options.

Respectfully,

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