

VALLEY BUSINESS BANK
200 S. Court Street
Visalia, California 93291
559-622-9000

April 2, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Attention: Comments – RIN No. 3064-AD35

Re: Notice of Proposed Rulemaking – FDIC Deposit Insurance Assessments

Dear Mr. Feldman:

Valley Business Bank, a commercial bank headquartered in central California, appreciates the opportunity to offer comments on the FDIC's interim rule. We understand this rule would impose a special emergency assessment in 2009 for the purpose of restoring the Deposit Insurance Fund. If implemented at the proposed rate of 20 basis points, the special assessment would add in excess of \$500,000 to our 2009 FDIC insurance expense, an expense category already set to more than double under the amended DIF restoration plan.

Valley Business Bank takes great pride in running a sound bank and maintaining a high level of trust with our depositors. At 2008 year end, 54 percent of our deposits were FDIC insured based on \$100,000 coverage. While it is our opinion that Valley Business Bank poses no risk to the DIF, we fully understand the importance of maintaining public confidence in FDIC deposit insurance during this period of financial crisis. However, with the cost of FDIC deposit insurance rising dramatically in 2009, certain issues pertaining to FDIC's assessment methodology have become greatly magnified.

We do not doubt FDIC's determination to assess member banks in a fair and equitable manner by incorporating CAMELS ratings and other risk factors into the premium calculation. But we believe there are commonsense changes that, if enacted by FDIC, will further promote safe and sound operations by banks and potentially provide additional funds to strengthen the DIF. Our recommendations:

1. That FDIC compute insurance premiums and assessments based on each institution's INSURED deposits rather than each institution's TOTAL deposits.
2. That FDIC make expanded deposit insurance coverage available to banks at a reasonable additional cost.

Our first recommendation is based upon the simple fact that uninsured deposits pose no direct threat to the DIF and our belief that amounts paid for deposit insurance should reasonably match the insurance coverage that is received. We agree that FDIC's current assessment methodology causes riskier institutions to pay higher FDIC premiums. What the methodology fails to consider is how much of each bank's deposit base is actually covered by FDIC insurance.

Valley Business Bank's second recommendation would permit banks to expand their FDIC insurance coverage by paying additional fees directly to FDIC along the lines of the Transaction Account Guarantee Program. Under TAGP, FDIC insurance on noninterest-bearing deposits greater than \$250,000 can be purchased for a fee equal to 10 basis points of the covered deposits. Valley Business Bank appreciates the simplicity and value offered by TAGP. We believe a similar program applicable to other deposit classes would benefit all banks and provide a significant new source of funds for the DIF.

Several banks in our region subscribe to a deposit placement service that swaps uninsured portions of time deposits between FDIC insured institutions in order to obtain full FDIC insurance coverage. Valley Business Bank has not subscribed to this service because it is obvious that Congress never intended the levels of coverage being advertised, and secondly, because we view FDIC deposit insurance as an essential component of the U.S. banking system. Accordingly, we do not wish to become involved with a private company that turns FDIC insurance coverage into a financial commodity on which profits can be generated, particularly when the end result is increased risk to the banking system and potentially the U. S. taxpayer. It is difficult for us to understand why banks are permitted to "offer customers access to up to \$50 million or more in FDIC insurance" by paying fees to a private company while Valley Business Bank stakeholders must pay dearly to replenish the DIF via a special emergency assessment.

Valley Business Bank's preference is to obtain all of our deposit insurance coverage directly from and through the FDIC and we think the DIF should be the sole beneficiary of any fees that are paid to expand deposit insurance coverage. We appreciate your attention to our comments.

Sincerely,

/s/ Donald A. Gilles
President and Chief Executive Officer

/s/ Roy O. Estridge
Executive Vice President and Chief Financial Officer

/s/ Allan W. Stone
Executive Vice President and Chief Credit Officer