From: Mark Hines [mailto:mhines@heritagebankandtrust.com]
Sent: Thursday, April 02, 2009 6:31 PM
To: Comments
Subject: Assessments, RIN 3064-AD35
Importance: High

As a de novo community bank President. I am deeply concerned the FDIC Board's proposal to impose a special assessment on all insured institutions as of June 30, 2009. Whether the special assessment is 10 or 20 basis points, this assessment, when combined with our bank's regular 2009 assessment, will be detrimental to our **FIRST** year of **Earnings** and will **DECREASE OUR CAPITAL**. This places a bank which has faced enormous economic challenges even more damage than has been inflicted with historically low interest rates on earning assets and a long recession brought on by many external factors of which we had no control.

Community banks are being unfairly penalized with this assessment. We didn't participate in the risky practices that led to the economic crisis, yet we are being penalized with 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 want to help in the economic recovery process in cities and towns throughout America. This special assessment will only hinder our ability to do so by reducing our ability to lend.

I strongly urge the FDIC:

To explore all alternatives for funding the Deposit Insurance Fund in lieu of the special assessment including using its existing authority to borrow from the Treasury:

- Issuing debt instruments to the public
- Using its authority to borrow from the banking industry

This method would allow the DIF to 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.

If the FDIC proceeds with imposing this special assessment, I recommend the following:

- The special assessment and all future assessments should be based on total assets (minus tangible capital) of an insured institution, not its total domestic deposits, **so that banks that caused the problems pay a bigger share**. Since large banks which have been hold a proportionately larger share of total banking assets, large banks should shoulder more of their fair share of the special assessment. The amount of assets that a bank holds is a more accurate gauge of an institution's risk to the DIF than the amount of its deposits. A bank doesn't fail because of its deposits, it fails due to bad asset quality, and all forms of liabilities, not just deposits, fund a bank's assets.

- The FDIC should support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years. If the banks could amortize the special assessment over several years, for instance, this would significantly reduce its impact.

- **The FDIC and Congress should 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 "too-big-to fail" institutions.**

Again, I 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 will pay a hefty price that places their safety and solvency in danger if this special assessment is imposed.

Sincerely,

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