March 3, 2009

Ms. Sheila Bair
Chairman
Attention: Comments
Federal Deposit Insurance Corporation 550
Seventeenth Street, NW
Washington, DC 20429

Re: Assessments, RIN 3064-AD35

Dear Chairman Bair:

I am writing to comment on the Federal Deposit Insurance Corporation's interim rule regarding deposit insurance assessments, published in the referenced FIL on March 2, 2009. While I speak only for Timberwood Bank in my capacity as Bank President, I believe my concerns are consistent with that of all small community bankers. Specifically, I believe the FDIC's decision to impose a 20 basis point emergency special assessment on all institutions is particularly harmful to community bank's and their ability to continue providing credit to "Main Street". Furthermore, the inherent competitive advantages afforded to the large "too big to fail" institutions during this period of economic turmoil directly contradicts the free market principles upon which our economy was based.

I can not help but ask a few simple straightforward questions: How do you acquire the right to be too big to fail? Do you have to pay for that privilege? If not, why? The first two questions are obviously rhetorical in nature, while the answer to the last question is unclear. Based on media reports it seems most large financial institutions reached the critical threshold of "too big to fail" by engaging in reckless, high-risk, growth-oriented strategies. Should that be the reward for excessive risk taking that not only failed to serve the best interests of their stakeholders, but also contributed significantly to the current mortgage crisis by providing mortgages to individuals who would have been deemed to be too high of a credit risk, if their loans would have been underwritten in accordance with prudent lending practices? I strongly believe the mismanagement of these organizations should not be rewarded with no threat of failure. Regrettably, it appears the FDIC and other government agencies disagree. Therefore, I respectfully ask that these institutions pay for their special privilege. The FDIC has the authority to base the special one-time assessment on factors other than deposit size, and should consider assessing the largest institutions for their special privilege of being "too big to fail".

While our small community bank did not have a tolerance for excessive risk taking, we did make loans to credit worthy individuals and look forward to continuing to do so. Unfortunately, the proposed one-time assessment limits the degree to which we will be able to continue lending. It doesn't stop our lending, but there is no doubt it constrains our lending, which is contrary to the assurances the public and media have been given that our government is doing all they can to ensure loans are available to "Main Street" America.

Another privilege that has been afforded larger financial institutions resulting in a direct competitive disadvantage for smaller banks relates to the FDIC's unsecured debt guarantee program. Large banks can, and are, taking advantage of the FDIC's unsecured debt guarantee program. Unfortunately, our bank is not large enough to efficiently utilize this program. I suspect the same is true of other small banks and I would be interested to contrast the proportion of bank's under $500,000 in asset size versus the proportion of bank's over $500,000 in asset size that have taken advantage of this program. Yes, the debt guarantee program is available to banks of all size. This opportunity is appreciated, but offering it to smaller banks appears to be no more than window dressing. This program was obviously established to assist larger institutions, as banks under $500,000 is asset size did not issue unsecured debt in the first place as it was, and continues to be, inefficient to do so. While a guarantee fee is charged, the ultimate cost of the debt and related guarantee fee for larger institutions remains favorable in comparison to most small community bank funding sources. If appropriately analyzed, the statistics related to bank size and use of the program would speak for themselves. Similar to the "too big to fail" privilege, I would ask that the larger institutions pay for their right to efficiently utilize the FDIC's unsecured debt guarantee program.

Lastly, I would like to comment on the egregious manner by which the TARP program has been targeted towards assisting large institutions while allowing smaller institutions to flounder. Our bank applied early to receive capital through the TARP program. Despite numerous contacts to our primary federal regulator (FDIC) as well as the Federal Reserve, we have not heard a single word related to the status of our application. Have any of the 50 largest banks in this country waited this long for a response? I suspect not. While I do not believe our bank should have been first in line, why shouldn't large banks have to pay for the privilege of being first in line for these programs? Yet another competitive disadvantage.

The only attempt at equitable treatment for all financial institutions that I have seen during this current crisis is the proposal to charge all banks the same one-time assessment of 20 basis points. If our bank did not face the prospect of failure when determining our appetite for risk, if we were able to efficiently utilize the debt guarantee (or similar) program, and if we could minimally receive a response for our TARP capital purchase application – perhaps the equal distribution of the special assessment would not be so appalling, even though it is certain to constrain our ability to keep credit flowing to "Main Street".

Thank you for providing the opportunity to comment on these matters.

Sincerely,

Jason A. Bloxham
President
Timberwood Bank
Tomah, Wisconsin