From: Judy Chaffin [mailto:jchaffin@bankofvernon.com]
Sent: Friday, March 06, 2009 2:53 PM
To: Comments
Subject: Assessments,

The Bank of Vernon in Vernon, Alabama, is a proud member of the FDIC. We are a $190 million community bank with approximately $160 million in deposits. With FDIC insurance we are able to offer great investment and operational products to our customers with the assurance of no loss on their deposits.

The substantial failures of banks and investment houses over the past year has been detrimental to the FDIC reserve fund. However, most banks were not directly involved with the creation of, and continued, practices that led to the housing crisis and eventual problems stemming from those practices.

We are concerned about the potential impact of the special assessments on the banking industry. In the current economy and interest rate environment it will be difficult for banks to make profits and further increase their own reserves and capital. Add the increased premiums and the 20 basis point assessment in September and you could cripple the potential earnings of the entire industry. Under the current proposal the 20 basis point fee would cost our community bank $320,000 in addition to the monthly assessments which could total over $200,000 for the year depending on the final rulings. The special assessment would reduce our forecasted earnings by 30%.

We also are concerned about the wording that would allow 10 basis point assessments as deemed necessary. This wording is too lose and could restrict the banking industry unnecessarily. Please eliminate this wording from the final ruling. Again, this would substantially limit the ability of the core banks in the US from adding to their own reserves and capital.

We are not asking to eliminate normal assessments on banks, just that the special assessments be eliminated from consideration in the future. The banks should continue to pay a fair amount based on their own risk. Larger institutions who carry more systemic risk should bear a larger portion than community banks and other institutions.

We encourage the FDIC to review the events of the past and current environment to see where the responsibility lies and factor that into a risk based model that is fair. Special assessments on all institutions will not mitigate future problems. It will not encourage banks to make changes. Those who created the problems we are seeing today should carry the brunt of the expense to rebuild the FDIC's reserve account.

We also encourage the FDIC to request the government fill the reserve account to the proper levels rather than increase assessments on banks—whether through TARP or some other measure. Banks paid premiums for insurance and unfortunately the FDIC has been forced to pay some claims. For example: we pay for homeowners insurance and have a claim. We are not required to pay the insurance company back for the claim amount. The responsibility to assess risk falls to the insurance companies and they should assess premiums accordingly and be responsible for maintaining reserves. For the FDIC, we recommend requesting this from the government and hopefully with the new assessment rulings you will have enough to maintain a proper reserve in the future.

Again, we appeal to you not to impose any special assessments on banks now, or in the future.

Regards,
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