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March 27, 2009

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Assessments-Interim Rule-RIN 3064-AD35

Dear Mr. Feldman:

I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points in the second quarter. Our bank and Ohio banks understand the importance of a strong deposit insurance fund, and want to work with the FDIC to recapitalize the fund as soon as possible. However, I have serious concerns that a 20 basis point special assessment this year will be counterproductive to President Obama's economic recovery plan and will unnecessarily erode bank capital and will suck millions of lendable funds out of Ohio communities that so desperately need them.

Most banks in Ohio, including mine, did not make subprime loans. In fact, we operated over the last 5 years in dismay at the type of loans that were being offered in the marketplace. Our loss and foreclosure rate has been extremely low due to our firm belief in the fundamental truths of banking. Many of the challenges we face in 2009 will be more closely tied to our declining manufacturing economy. As a result our cost structure is already challenged, so any further cuts will come in the area of capital spending or even employees, further slowing recovery here in the Midwest.

We applaud your revised discussion of a plan that will only take half of the assessment proposed in the rule as released, but we urge you to consider other alternatives. We think it is a good idea that you have already extended the recapitalization period from five to seven years and support your initiative to take it up to eight years in these troubled times. This special assessment is significant, and it is unfair and harmful to burden a healthy bank like mine that is best positioned to help the economy recover.

I attended a luncheon hosted by the FDIC in Washington DC and heard John Bovenzi speak. I understand his articulation of the FDIC's position regarding borrowing funds from the U.S. Treasury, but the current environment is exactly the situation the line of credit was set up to address, spreading out the cost of recapitalization over a longer period of time.

Community banks like ours take deposits and make loans to help our communities survive the current economic downturn. We work hard to better our communities and have continued to be profitable, and have not participated in the 'silly season' of the recent past. This makes it especially galling to me that too-big-to fail financial institutions get preferential treatment from the FDIC and Federal government in the form of 'back-stops' and 'guaranties'. I would like to see systemic risk premiums be levied against too-big-to fail financial institutions to compensate taxpayers and the FDIC for the risk these institutions pose. Congress should also direct the FDIC to make the assessment base more equitable. Community banks pay approximately 30 percent of the FDIC premiums although they hold about 20 percent of bank assets. We fund ourselves with 80% or more domestic deposits while banks with more than $10 Billion in assets use domestic deposits for only 52% of their funding. This causes community banks to pay assessments on nearly our entire balance sheets and large banks paying only half. A fairer method to consider might be to use assets minus tangible equity.

Systemically, the entire premise of too-big-to-fail financial institutions is flawed because creditors have less incentive to monitor and restrict the firm's risk taking through pricing. This weakens market discipline and creates an unlevel playing field for smaller financial institutions, which may not be able to raise funds as cheaply, even if their individual risk profiles are better. If community banks take too much or inappropriate risk, the consequence is failure and closure of the institution, an appropriate remediation.

Thank you again for the opportunity for our voice to be heard. It is an important time for policymakers to evaluate our past and our future. Your sincere consideration of our comments is appreciated.

Sincerely,

Trent B. Troyer
President & CEO

cc: Congressman Zack Space
Congressman Charlie Wilson
Senator Sherrod Brown
Senator George Voinovich