COMMUNITY NATIONAL BANK

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TAD WOOTEN
CEO, Vice Chairman

March 25, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Attention: Comments

Re: 12 CFR Part 327; RIN 3064-AD35; Assessments

Dear Mr. Feldman:

Community National Bank (CNB) appreciates the opportunity to comment on the Federal Deposit Insurance Corporation's (FDIC) interim rule that proposes the imposition of a 20 basis point emergency special assessment (under 12 U.S.C. 1817(b)(5)) on June 30, 2009. We are a community bank, with a asset size of $110 million, and 3 locations.

We, along with our fellow bankers understand the importance of having a financially sound FDIC insurance fund. Bank premiums, and the earnings on those premiums, have been the sole source of funding contributions to the fund since the FDIC was created 75 years ago. Our bank has been, and continues to be, prepared to meet our obligation to keep the FDIC insurance fund strong, but we are concerned about how the fund will be restored. CNB did not make subprime loans, and we are both a pillar of our community and a positive force in local economic development. We **do not believe** that our bank should be punished for a housing bubble caused by irresponsible lenders and borrowers and exacerbated by Wall Street.

The proposed special assessment is a significant and unexpected cost to our bank that will devastate our earnings, particularly at a time when we are dealing with a deepening recession. We are already dealing with significant increases in our regular quarterly FDIC premiums, declining net interest margins, and higher bad debt reserve contributions. Each of these is a large challenge on its own, but collectively, they are a nightmare.

This special assessment will impact our bank in the following ways:

- The high cost is a disincentive to raise new deposits. Fewer deposits, in turn, will hinder our bank's ability to lend.
- The reduction in earnings limits our bank's ability to build capital just when it is needed the most.
- Our bank will be forced to look at ways to lower the cost of other expenses, which may limit our ability to sponsor community activities or make charitable donations-something we have been doing for years. This assessment will certainly lessen our ability to support our communities.
- In order to compensate for the lost earnings, we may find it necessary to reduce salaries.

Given the impact that the proposed assessment will have on our bank and our communities, we **strongly urge** you to consider alternatives that will reduce our bank's financial burdens while still providing the FDIC with its short term funding needs. The following are our recommendations:

- Reduce the special assessment and spread its cost over 10 years. The FDIC should spread out the recapitalization of the fund over a longer time frame as well. We strongly encourage steps be taken, including Congressional action if necessary, to secure changes in accounting rules to allow for this amortization of the special assessment, whether it's 20 basis points, 10 basis points or some other lesser assessment amount.
- Use a convertible debt option, whereby the FDIC could convert debt borrowed from the banking industry into capital to offset losses as they may occur. This would allow banks to write off the expense only when the funds are actually needed.
- Use FICO-like non-callable bonds, purchased by private investors, as a financing vehicle for the Deposit Insurance Fund to help rebuild the fund, and assess FDIC-insured institutions over time to service the interest and principal payments on the bonds.
- If the fund requires resources in the short run, use the FDIC's borrowing authority with Treasury. Such borrowing would remain an obligation of the banking industry, but would allow the cost to be spread over a longer period of time.
- Use the revenue that the FDIC is collecting from the Temporary Liquidity Guarantee Program. There is considerable revenue from those banks that are issuing guaranteed debt to help support the FDIC at this critical time.
- Make the assessment a percentage of total assets rather than total deposits. This will make the assessment more equitable for all banks.

Making these modifications will ensure that the fund remains secure and will allow our bank to continue to lend in our communities. We urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

Thank you for the opportunity to comment on the interim rule to impose a 20 basis point emergency special assessment. We are confident that the FDIC will be able to find alternatives that will allow the recapitalization of the fund without harming our bank.

Sincerely,

Thomas C. Wooten
CEO