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Robert E. Feldman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington DC 20429

Dear Mr. Feldman:

I appreciate the opportunity to submit a comment on the proposed increases in FDIC insurance premiums and, in particular, the special assessment announced in late February.

A strong financial system and, naturally, a strong deposit insurance system are of utmost importance but I believe more thought must be given as to how these goals are achieved. To my way of thinking, even though the proposal may strengthen the deposit insurance system it creates an undue strain on the financial system.

At a time when overriding concerns are the health of the banking system and the US economy, it seems counterintuitive to significantly drain bank capital, put a crimp on local lending and seriously jeopardize the profitability of thousands of banks that make up the core of the nations financial system. Furthermore, it will compound the current problems by further depressing bank earnings, make regulatory action more imperative and result in increased risk-based premiums that represent an even greater cost to the banks. This is not a spiral that you should want to create.

While there may be a flight to quality for investors leaving equity markets or depositors seeking well run, well-capitalized community banks, it seems you may be creating a disincentive for banks to accept insured deposits and effectively reducing their lending capacity in the communities they serve.

I think other funding options such as amortizing the rebuilding of the insurance fund over a longer period of time or increasing the FDIC borrowing lines (short and long-term) make considerably more sense. Then the assessments will be based on actual rather than prospective losses and the capital can remain in the communities where it will do the most good.

Thank you for your attention to these comments.

Sincerely,

Thomas F. Farrell
Director

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