BANK2 Twice the Bank.

March 23, 2009

Third Letter on the Topic

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

Re: Special Assessment **REFERENCE: RIN3064-AD35**

Dear Mr. Feldman,

As a 30 year veteran banker I know the importance of the FDIC and the insurance you provide to banks. The public appreciates the insurance and has peace of mind because it exists. The FDIC fund must be strong and must not become weak during this economic downturn.

That being said, I find serious problems with the philosophy that the FDIC board exhibited last month. The plan to recapitalize the FDIC insurance fund on the backs of community banks is totally unfair and runs counter to President Obama's stated need to get banks back to lending. In fact, if President Obama's administration would do some research they would find community banks increased lending activities in the 4th quarter (latest stats available). Community banks are positioned to help restart the economy by lending to individuals and small business – exactly what President Obama says he wants and needs to happen.

I think the FDIC is playing some kind of "March Madness" with the emergency "special" deposit insurance assessment. This special assessment is totally burdensome and hurtful to over 8,000 community banks. If you continue your plans to assess the community banks you will cause the banks to lower deposits, increase interest rates on any loans we make and force the lay off employees.

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This assessment threatens the stability of community banking at a time when it is most needed. *Why would the FDIC do this?*

I join with Congressman Dan Boren (D) OK. who earlier this month stated "It doesn't make sense that the federal government gives mega banks billions and then expects community banks, which made sound lending decisions, to replenish the FDIC fund". He is100% correct.

I believe that if the FDIC and the Department of Treasury can continually bail out large banks several as many as 4 times, then Treasury and these large banks can be responsible for re-capitalizing the FDIC fund. It is absurd to penalize the 8,000 community banks that have been the back bone of stability during this crisis. Why punish the community banks?

Community banks have not participated in these high-risk lending activities. Re-capitalizing the FDIC should come on the shoulders of institutions that have been guilty of participating in these activities. Companies like AIG, Citi and others that have been given huge sums of TARP bail out money should have the responsibility. Much of these funds have then been sent overseas to help other countries or have been paid out in bonus dollars to many of the same employees that caused these problems in the first place.

The FDIC board should change the assessment formula. Currently, it is based on domestic deposits. Community banks are highly funded with local core (domestic deposits); they are paying assessments on the average of about 88% of their liabilities whereas the mega-banks are paying on average about 52% of their liabilities. *Why would you institute a plan that so unfairly weighs heavily on the community bank and not the mega banks?*

If the FDIC would change their assessment formula to **total assets – capital** – the mega-banks pay their fair share. Just changing that formula alone would raise enough money that the 20 basis points assessment could be lowered to 11 basis points with no borrowing. With the borrowing in place, the assessment could drop to 4-6 basis points. *Why would you not change the formula?*

Since January 1, 2008 but prior to the three bank failures of this past week, 29 banks with assets of $1 billion or less failed and created 16% of the losses to the fund. Two banks with assets of $1-10 billion failed costing the fund 27%. Finally, 1 bank failed with assets over $10 billion costing the fund 57%. Community banks just do not bring the risk or the magnitude of losses to the system. *So why are you trying to make community banks pay this huge assessment?*

For years the FDIC and other regulatory bodies have placed way too much emphasis on items such as HMDA reporting instead of Safety and Soundness issues. Now we have problems and your answer is to "make everybody pay" as if "everybody" contributed to the problem. YOU know that is not the case. This assessment is damaging to innocent community banks, their customers, their shareholders and the communities they serve.

The Federal Government in combination with the FDIC should re-capitalize the FDIC fund. The FDIC fund is far more critical to the financial stability of the Nation than the philosophy that the FDIC, Department of Treasury and Federal Reserve Bank are exhibiting when you decide to spend tax payer money and FDIC money to save an institution you believe is too "big to fail." The financial stability of the FDIC is much more important to the country than the financial stability of CITI or AIG. If we can find bail out money for these institutions we should be able to find bail out money for the FDIC. To force such an onerous assessment on the backs of community bankers is reckless and must not proceed.

Community bankers are willing to help re-capitalize the fund but we should not be hugely penalized for the problems of a few. Please re-think your position. Work with Treasury to utilize TARP money that is not being used by community banks across this land. Use these funds to re-capitalize the FDIC. Place a much stiffer burden on banks that have participated in these high risk ventures and have paid executives huge bonuses. Then ask the 8,000 community bankers to slightly increase there premiums to help build the fund. I believe our industry would whole heartedly support these actions.

Sincerely,

Ross A. Hill
CEO

cc: President Obama
Oklahoma Bankers Association
American Bankers Association
National Bankers Association
Independent Community Bankers Association
Commissioner Mick Thompson
Federal Reserve Chairman Bernanke
Secretary of the Treasury Tim Geithner
Senator James Inhofe

Senator Tom Coburn
Congressman Tom Cole
Congressman Frank Lucas
Congressman Dan Boren
Congressman John Sullivan
Congresswoman Mary Fallin
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