VIRGINIA BANKERS ASSOCIATION

March 12, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Via email to comments@fdic.gov

Re: RIN 3064-AD35, Proposed FDIC Special Assessment, pursuant to 12 CFR Part 327

Dear Mr. Feldman:

I write to comment on the above proposed rule on behalf of the Virginia Bankers Association, whose membership includes nearly all FDIC insured institutions operating in Virginia. We recognize that these are extraordinary times and that the Deposit Insurance Fund ("DIF") is under duress as a result of recent and expected failures of financial institutions. We fully support the role of the FDIC and acknowledge the need for a strong and secure fund. We are, however, deeply concerned about the proposal to impose a 20 basis point special assessment in addition to regular premiums during 2009.

The special assessment would represent a significant and unexpected burden to our member institutions. Moreover, it would be in complete conflict with our members' efforts to continue, if not increase, lending during these most difficult economic times. For many of our member institutions, this assessment would represent a sizeable portion of their expected 2009 earnings, putting more pressure on them in a time when significant financial challenges already exist.

Not only would lending be negatively impacted by the special assessment, but also the ability of banks to invest in their communities. Losing a significant portion of earnings to this assessment would inevitably cause banks to face tough decisions on whether they could continue to support local charities and community based initiatives, not to mention evaluating their own staffing levels. Considering these likely outcomes, the true cost of a special assessment is difficult to fully quantify.

Recognizing the need for the FDIC to ensure the stability of the DIF during these very uncertain times, we would offer these suggestions as possible ways to mitigate the need for the proposed special assessment:

1. We fully support the FDIC's effort to gain Congressional approval to increase its line of credit for losses from $30 billion to $100 billion and appreciate the FDIC's assertion that accomplishing this objective could reduce the special assessment to 10 basis points.
2. Understanding that the banking industry remains fully responsible for restoring the DIF to a 1.15 ratio over time, we encourage the FDIC to consider using the line of credit – once the increase has been approved – in lieu of a special assessment.
3. We urge the FDIC to reduce the special assessment or spread it out over a longer period of time. For example, the FDIC might consider a special assessment that is 50% lower payable on September 30, 2009, with the remainder payable on March 31, 2010 if it is still deemed necessary.
4. We ask the FDIC to consider using fees collected from the Temporary Liquidity Guarantee Programs to add reserves to the DIF.


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5. Given the truly unprecedented nature of our current economic challenges and the fact that higher premiums are penalizing banks at the worst possible time, we urge the FDIC to consider extending the period to restore the DIF to a ratio of 1.15 from seven years to ten years.
6. We ask the FDIC to fully explore the possibility of using debt instruments instead of a special assessment. The FICO bonds issued nearly twenty years ago to address the savings and loan crisis might be one example to consider.

Thank you for considering our views and please contact me with any questions.

Best regards,

Bruce T. Whitehurst

Bruce T. Whitehurst
President and CEO

cc: Virginia Members of Congress