From: Paul B Hugenberg [mailto:PHugenberg@consumersbank.com]
Sent: Wednesday, March 04, 2009 10:23 AM
To: Comments
Cc: Ralph J Lober
Subject: RIN 3064-AD35

To Whom It May Concern:

I would like to express my concern over the proposed interim rule to restore the Deposit Insurance Fund to previous levels by imposing a unilateral fee on deposits on all insured banks; regardless of size, impact to earnings, impact to survival, ability to maintain lending levels, or lack of involvement in the very activities that caused the current financial crisis. Certainly the FDIC is aware of the struggles suffered by financial institutions in todays market and is also aware that the majority of claims against the DIF are the result of a small number of very large banks. As a community bank, we continue to lend to our customers in our community, helping the **local** business person and the **local** family pursue their dreams. We do not lend to residential speculators and "flippers", lend beyond the value of our collateral, or drive income by offering questionable lending instruments, removing deposits from a local community and lending them to far-off investment communities). We are a traditional bank with traditional values. Like many community banks, we were not involved in the lending activities that precipitated this crisis, yet we are certainly beginning to pay the price for a few bad apples. The proposed assessment would cost Consumers alone about 15% of our annual after tax income. Mind you we are fortunate to be outside of the residential mortgage meltdown. We are, however, finding ourselves at risk of being unable to control our own future as a result of assessments such as this (not to mention the proposed additional 10bp emergency assessment).

Consider:

- Within an institution who has not caused a single loss to the FDIC, maintains proper ratings, and has not contributed to this crisis; how many loans will we be **unable** to make because of this impact on revenue? As earnings shrink, the risks of loss are pronounced and loans that used to be approved will no longer close. How many small businesses will not start, or will fail without cash flow, or will layoff personnel to protect payroll?
- Community Banks are lending. Large institutions are not. Why would the FDIC propose an interim rule that would exacerbate the credit crunch by removing lendable funds from this community institution.
- What type of framework penalizes those who were not participant to problems? Assessments may be needed but should be **heavily risk-weighted** to those institutions who provide the biggest threats to the DIF.
- How many institutions will the FDIC cause to fail as a result of this assessment? Those of us who are riding out the storm as a result of a proper conservative approach to lending have not only seen income fall because of industry issues, are preparing and bracing for the impact on our commercial portfolio that is certain to follow, but now must re-evaluate our strength because of an unnecessary 15% hit to income.
- How many people will this Bank not hire as expenses are now skyrocketing from FDIC assessments?
- Ours is an community bank that has survived 40 years, is fiercely independent, and has managed to guide itself through good and bad times by recognizing our challenges and responding to items within our control (e.g. lending, deposit gathering, community investment). We find ourselves now at risk because we must plan for the unknown. The FDIC should not be an adversary to community banks and should never become the unknown concern that threatens our viability.
- Deposits within the community bank are growing as consumers run for safety. They are running from the stock market and from the larger, risky banks. The FDIC is now penalizing the local bank, the community bank, for being a safe place for our customers.

- At a time when we are injecting unprecedented amounts of capital into the banking systems (albeit to very few banks), why does it now make sense to pull significant capital out of our hands and provide it to the government? Maybe more would be gained by working with the regulatory bodies to find buyers of struggling institutions, allowing more stable and capital-sound banks to absorb and work out problem credits.

Thank you for your time and consideration.

Regards,

Paul B. Hugenberg, III
Chief Information Officer
Consumers National Bank