IBA NYS Independent Bankers Association of New York State

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March 10, 2009

Re: Opposition to Rin 3064-AD35
FDIC Special Assessment pursuant to 12 CFR Part 327

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

Dear Mr. Feldman:

This letter is submitted in response to the interim rulemaking published in the March 4, 2009 Federal Register referenced above on behalf of the Independent Bankers Association of New York State.

This interim rule establishes a special assessment of 20 basis points in the second quarter. It is asserted that this increase is necessary to keep the deposit insurance fund balance from reaching zero.

Community bankers in New York State appreciate the necessity of maintaining a strong deposit insurance system. A 20 basis point increase will have a significant negative impact on profitability and capitalization at a point in time when community banks are most critical in the delivery of financial services to an ailing economy. The assessment for some banks will cost in excess of 50% of their bottom line profit. The resulting reduction in earnings will make it more difficult to build capital. This translates into fewer dollars to loan within their communities.

It is crystal clear that there is a tremendous unfairness in targeting banks that have in no way contributed to the current economic collapse being experienced by some major financial institutions, which are too big to fail. Troubled institutions are able to use TARP Funds to pay any increased assessments, but *Main Street* banks are ultimately going to pay by increasing costs to the *Main Street* customers.

This increase is particularly crippling at a time when there is a heightened loan demand. Loss of capital based on the payment of increased premiums is exactly the wrong direction to head when there is a need for funding.

To reverse the disproportionate burden the assessment as proposed creates, the FDIC needs to consider a range of options including:

- the assessment should be based on bank assets not solely domestic deposits;
- a systemic minimum should be applied to large banks with assets in excess of $20 billion;

- the time frame for the assessment should be increased from 7 years and spread over a much longer period of time;

- troubled assets which the FDIC has should be sold to an aggregator bank;

- use the FDIC's borrowing authority with treasury to provide additional funding while spreading the cost of the insurance out over a longer period of time;

- establish a special assessment, that would sunset in 3 years, in the form of a prepaid asset funded up front by the banks. Allow the banks to expense the prepaid asset over a period of 7 years

Action on this interim rule should be held in abeyance pending either a significant revision of the assessment or action on legislation to Congress, which would expand the FDIC's line of credit with the treasury. Please take these comments under consideration.

Sincerely,

William Y. Crowell III

William Y. Crowell, III
Executive Director

WYC/vmm