

MAGNOLIA BANK

RONALD L. SANDERS, President
DORA A. HEATH, Cashier
DEBBIE W. CRUSE, Vice President
TERRY L. THOMAS, Vice President
DEENA F. BRADLEY, Vice President
PAMELA L. CECIL, Assistant Cashier

Lincoln Hills Branch
794 Old Elizabethtown Road
PO Box 188
Hodgenville, KY 42748
270-358-3111 (phone)
270-358-3115 (fax)

March 5, 2009

Robert Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D. C. 20429

Dear Mr. Feldman:

A 20 basis point special assessment is quite shock to the commercial banking system. I am wondering why this cost to the banking system cannot be spread over several years to allow the industry to absorb the cost easier. Ninety percent of the banks in Kentucky were profitable in 2008. Most community banks manage their institutions prudently and conservatively because we know banking is a cyclical business.

2008 was a particularly tough year for many community banks because of the losses incurred when Freddie Mac and Fannie Mae went into conservatorship. Many of us held the preferred shares of these GSE's for many years because we thought them to be safe, liquid and rate shock proof because of the variable nature of the coupon. I heard one report that as a result of the government's action, the cost to the banking industry was over \$30 billion dollars. I can attest that over one million dollars of that loss was incurred by Magnolia Bank.

It seems to me the there is a lot of uncertainty by the FDIC lately. In 2008 we received a memo that there would be a credit given on premiums, then, we are told that we need to take TARP money, and now we are told that we need a special assessment.

If this special assessment stands as presented, I certainly hope that the regulators show some forbearance when they come in for examinations. You are taking 20% of our annual earnings right off the top. This assessment will impair our capital, our loan loss reserve and our ability to grow and lend in our communities. By my estimate, this assessment will cost our community approximately \$2,300,000 in loan growth in my bank. This is certainly contrary to the message the President and the TARP program has been sending.

The Federal government has made a grave mistake allowing banks to get too big to fail. Instead of the government regulating the banking industry, a few banks are dictating to the government what must be done. This policy has penalized all of the smaller well managed institutions in America, and it's wrong.

Sincerely,

A handwritten signature in black ink that reads "Ron Sanders". The signature is written in a cursive style with a large, stylized "R" at the beginning.

Ron Sanders
President