Tioga State Bank

March 5, 2009

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

Dear Mr. Feldman:

I am writing to comment on your recent announcement to impose a 20 basis point emergency special assessment on your banks. We have no problem paying our fair share to the FDIC, which we have been doing since its inception in 1933. However, we feel as if we continue to pay for sins and mistakes of others in the banking system, while the government continues to subsidize the "too big to fail" banks. Our bank has never made one subprime mortgage loan or entered into any credit default swaps, yet we are now expected to pay for those who did. The system must be changed to provide a methodology which is fair to all participants.

Tioga State Bank is a Risk Level 1 bank which has never been a concern for our regulators. Our bank has never dealt in sub-prime mortgages and continues to have delinquency ratios of less than 1% of our loan portfolio. While we have managed our bank in a prudent, conservative manner, many of the largest banks in the country do not appear to have taken this approach to managing their institutions. Typically, insurance is based upon a risk assessment. Our bank does not take risks that would jeopardize our business. In addition, the failure of Tioga State Bank would not cause even a small ripple in the financial market. The failure of any of the money center banks could possibly tear our system apart. In addition, they participated in credit default swaps and subprime mortgages which should create a higher risk profile. If a bank is considered systemically important, they should pay an assessment that is aligned with this privilege.

This special assessment will basically take $530,000 or 20% of my 2008 net income out of my capital account for 2009. This will reduce my ability to grow my loan portfolio, which seems contrary to what our economy needs right now. The President and others say they want banks to increase their lending, but making this special assessment will reduce lending across the board at all banks.

Our bank also establishes our budget for the coming year in November and December each year. We have an employee incentive program which is driven by our established budget each year. This special assessment will devastate our budget for 2009 and will adversely affect the bonuses paid to our employees.

The new special assessment will take money out of our local economy and I see little, if, any of this money coming back to our small communities in Upstate New York. Again, money from a well-run conservative institution will be directed to bail out risk-takers who bet the future of their banks.

In a letter from Sheila Bair dated March 2, 2009, it is mentioned the FDIC does not want to take money from the Treasury to help fund the shortfall because it "could paint all banks with the "bailout" brush." I would argue that all banks, whether or not they participated in any government bailout funds, are being painted with the same brush. I'm not sure how much this would really hurt the banking system because there is already a very negative, public-perception regarding our industry.

The letter also says that "any system of insurance requires to some degree that premiums paid by well-managed and healthier institutions cover the losses caused by their weaker counterparts." I would agree with this statement. However, when an institution is deemed "too big to fail" this argument goes out the window. I heard it said that the big banks have not had to utilize any FDIC insurance funds. This is only because they have been on other forms of government life support since late last fall. Without the "bailout" funds, they indeed would have utilized money from the DIF.

I believe a portion of the solution to the problem would be a risk based assessment for banks that are "too big to fail." I know there is no official designation of "too big to fail," but it is well known there is truth in the statement. They should be charged for having this privilege.

There is also merit in extending the timeframe to replenish the DIF from seven years to possibly ten years. With the current economic crisis at hand, it would seem the last thing the FDIC would want to do would be to put further pressure on bank earnings which could negatively impact our ability to serve our communities. If the one time special assessment is indeed levied, could the FDIC work with the accounting industry to agree to treat the assessment as a prepaid expense. This could soften the blow to all banks by allowing them to take the expense over an extended period of time.

Would it be possible for the banks which are sound and capable to loan the money to the FDIC and expect to be repaid as the fund is replenished? This approach would be much more acceptable to the long-standing good citizen banks of the FDIC.

We are obviously in midst of very difficult and disruptive economic times. I understand the FDIC has some very difficult decisions to make regarding the long term health of our industry. Please look for a solution that is both fair and won't hurt the future viability of our business.

Sincerely,

Robert M. Fisher

Robert M. Fisher
President & CEO
Tioga State Bank
1 Main St., PO Box 386
Spencer, NY 14883
(607) 589-7000
rfisher@tiogabank.com