GBA
GEORGIA BANKERS ASSOCIATION
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March 19, 2009

Mr. Robert E. Feldman via e-mail
Executive Secretary, Federal Deposit Insurance Corporation
550 17th ST NW
Washington, DC, 20429

RE: Opposition to RIN 3064–AD35: Proposed FDIC Special Assessment pursuant to 12 CFR Part 327

Dear Mr. Feldman:

The Georgia Bankers Association (GBA) appreciates the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points in the second quarter.

GBA and its members wholeheartedly agree that it is essential to protect the strength of the Deposit Insurance Fund and maintain depositor confidence, but we have serious concerns that the proposed method for doing so will create an even worse economic climate for Georgia's banks and their customers.

We are extremely concerned that as proposed, the special assessment amount and timing will take an extremely large amount of capital out of Georgia's banks when the FDIC and other regulators are strongly encouraging these very banks to preserve and raise more capital.

Based on the proposed 20 basis point assessment, the estimated total cost to Georgia banks is almost $405 million That exceeds the total 2008 net income for currently active GA banks of $319 million. For Georgia's median bank by deposits (approx. $137 million in deposits) this assessment would cost an additional $275,000 per year. One Georgia banker told us that his bank's additional assessment is equal to two months' payroll for the bank's employees. We have had other bankers tell us they will have no options except to reduce or eliminate dividends, cut back or eliminate charitable contributions or even reduce staff just to pay for this increase. And because of the continued deterioration of the Georgia economy, other bankers tell us paying this assessment will either cause their bank to become unprofitable or fall below regulatory capital minimums.

For these reasons, we encourage the FDIC to seek alternative solutions to replenish the fund, some of which we recommend below. Again, Georgia's banking industry fully supports paying its way to maintain the fund over time. To ease the impact of this, however, FDIC needs to consider other options for funding the additional assessment, including but not limited to:

- Banks should be allowed to be expense the cost over time
- FDIC should consider tapping its line of credit with Treasury
- Bonds similar to the FICO bonds used to pay off FSLIC deposits should be issued
- Develop a type of convertible borrowing authority from the banks allowing the money to be drawn down as needed rather than prepaid in a lump sum
- Use the new Temporary Liquidity Guarantee Program fees to be counted as part of the Deposit Insurance Fund
- Allow banks to make an equity investment into FDIC.

We are encouraged by and appreciative of alternative actions taken to date to potentially reduce this burden, including allocating the extended TLGP surcharges to the Deposit Insurance Fund and the possibility of lowering the

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emergency assessment rate pending passage of legislation authorizing a larger FDIC line of credit from the Treasury. However, we strongly believe that more needs to be done.

We also encourage FDIC to take a fresh look at the way you are resolving failed banks. It is our understanding that a majority of the recent costs to the fund have not been used to pay depositors, which is the primary objective of the fund, in our view. Most Georgia closed-bank transactions have seen all deposits assumed by acquiring institutions. So, the major cost to the FDIC deposit insurance fund is to cover losses on loans or collateral being sold off at pennies on the dollar. This practice is further depressing real estate values in our communities, putting more stress on borrowers that have to come up with more collateral to avoid being in default on their loan agreements, and further eroding essential bank capital. The cost to the fund to continue this practice is enormous. Holding and managing a majority of these assets until the economy improves is certainly one option that should be on the table to prevent further erosion of the fund balance.

We urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule. GBA and its member bankers stand ready to have discussions with you and any FDIC staff members if we can be of assistance in developing alternatives.

Sincerely,

Joe Brannen

Joe Brannen
President and CEO