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Public Comments on Assessments:========

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Comment Info: =================

General Comment:

March 20, 2009

Re: Assessments - Interim Rule - RIN 3064-AD35

I am writing to strongly urge the FDIC not to adopt the recently proposed Special Assessment, and to instead pursue other avenues, including the pending Depositor Protection Act, to address the short-term funding levels of the Deposit Insurance Fund.

Like most community financial institutions, Kennebunk Savings Bank is weathering an economic crisis brought about by much larger players on the global stage who were engaged in extracting maximum profits through questionable securities, derivatives and other risk-laden transactions. Meanwhile, we, like most community banks, were focusing on the needs of our local communities and small businesses.

Along with many other well-capitalized, sound financial institutions, we saw our FDIC insurance premiums initially double this year, from $498,000 to $1,002,000, as the Deposit Insurance Fund seeks to recoup the capital initially expended in failures like WaMu and IndyMac, and now in a growing list of smaller banking institutions.

The special assessment of 20 b.p. would result in an additional expense of $1,300,000 in a year of already modest returns. Further, the announcement of up to another 2 basis points increase in our ?regular? premium rates, would result in a total estimated expense in 2009 of $2,400,000; this totals a 382%, $1,900,000 increase in FDIC premiums in just one year.

We have made every effort in our current year budget to control our costs ? we have cut operating expenses, scaled back or eliminated expansion plans, eliminated the Bank?s profit sharing program payout, and implemented a 0% merit increase across the institution. We do not fall into the realm of the irresponsibly highly compensated ? I can assure you that neither my current salary, nor that of any of my top managers, comes close to the $500,000 limit being bandied about in various pieces of TARP-related legislation. We do not have stock options or any other compensation tricks of the publicly-traded companies at our disposal ? we are a mutual savings bank and we have steadfastly held to that mutuality and independence. I have personally committed to my 280+ employees, all employed in York County, Maine, that I will do everything within my ability to avoid general layoffs. I believe that I have an obligation to do everything within my power to provide stability to the Bank?s customers, to our communities, and to our employees during this very difficult economic time.

With the current strains in the local and broader economy, the Bank is not in a position in which it is willing to incur the additional $1,400,000 in unplanned FDIC premium/assessment expense without some offsets. These offsets will be arrived at by making some very difficult decisions. While I appreciate your publicly stated desire that we not pass on the insurance rate increases to our customers, I have no other choice. The additional expense will have negative effects on our three primary constituencies: our customers (through lower deposit rates), our communities (through a reduced charitable contribution budget), and our employees (through potential layoffs and other cutbacks).

The only other option is to let the assessment and increased premiums flow straight through the expense side of the profit & loss statement, with no offset, to capital. This is not an option I am willing to exercise. We have remained well capitalized despite the fact that our hand was forced to mark to market our performing securities in 2008. Further, as a mutual institution without ready access to other forms of capital than retained earnings, it is important that we return to positive earnings in this period of economic stress. Prudent financial management, which has gotten the Bank through the last 137 years, does not allow me to knowingly take any hit to capital that could be reasonably offset.

The continued strength of the FDIC Deposit Insurance Fund is certainly a priority, and I recognize that, unfortunately, it is always the case that the conservative, well-capitalized banks are the primary funding source for paying the depositors of the banks ? no matter what the size - that fail. That said, does it really make sense to recapitalize the fund in this environment by depleting the resources of the well capitalized institutions while the Treasury adds to the resources of the largest problem institutions?

I understand that through the comment period you are looking for solutions, not just complaints about the fairness and impact of the proposed assessment. I also appreciate the fact that in recent weeks the FDIC appears to have taken a proactive approach to finding a solution other than the originally proposed 20 b.p. assessment and 2 b.p. increase in premium rates. I commend you for being open to solutions suggested by the ABA, ICBA and individual bankers.

My only comment on the work that has been done to date ? or at least that has been reported in the media and trade associations ? is with regard to the timing of the assessment. Kennebunk Savings Bank would not benefit from any sort of an attempt to spread the payment over a number of quarters or months within the same year. As a mutual, we are less concerned with the impact of the expense in a given month or quarter and more concerned with the impact in a given year. As such, to provide any sort of mitigating effect, we would need to see the payments spread over a multi-year period; even two years would be better than one.

As far as alternative ideas, I firmly believe that the management of the fund should be overhauled. I believe that the fund should be taken out of the Federal

government?s current account and maintained as a funded, autonomous account ?
a mutual insurance account of sorts. Premiums and special assessments should
be made by the banks and financial institutions to the fund to maintain the established funding levels. Further, the DIF funds should be invested in liquid, US
government securities. Income returned on the principal balance of the fund should be utilized to either 1) reduce premium payments or 2) serve as the source
of a quarterly dividend distribution back to banks based on their pro-rata contribution to the fund. In times such as the present when a recapitalization of
the fund is necessary, the income stream should be redirected back into the fund
to reduce the size of special assessments.

I am obviously in agreement with any current funding scheme that will reduce the
size of the 20 b.p. assessment. While certainly not professing to be well versed in
all of the details around the current proposals, I believe the 10 b.p. assessment
combined with increased availability on the Treasury line of credit makes sense,
as does the proposal to utilize fees from the TLGP to offset the increased assessment.

Lastly, any sort of accounting treatment, such as booking the assessment to Prepaid Expense for an accounting payout of the special assessment over a multiyear period, would be of great value to the Bank.

Thank you for the opportunity to comment on the special assessment and premium increase. As I noted at the beginning of my comment, the originally proposed 20 b.p. assessment will have a noticeable detrimental effect on the Bank, our customers, communities, and employees. To be asked to sustain a large, unplanned incremental expense such as this in a down, unpredictable economy is truly disturbing.

Very truly yours,

Bradford C. Paige
President & Chief Executive Officer