Charles H. Blanchard
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P. O. Box 10610
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March 20, 2009

Chairman Shelia Bair
Federal Deposit Insurance Corporation
MB 6028
550 17th Street NW
Washington, D.C. 20429

Dear Chairman Bair:

I wish to comment on the proposed special assessment of 20 basis points of deposits.

I have appreciated the information you and Director Arthur Murton have provided to our ABA working group.

First, I understand the problem and want to see us avoid any perception by the public that the banking industry is not standing behind and funding the FDIC. Regardless of the vehicle eventually chosen, we need to keep the DIF from falling to zero.

Second, I would urge you to base future assessments on assets, not on deposits. I think this would be a fairer representation of the risk presented by each institution. After all, we know it is the losses on our assets that will break an institution, destroy its liquidation value and limit its marketability.

Finally, I urge you to be inventive and aggressive to find an alternative to charging banks a special assessment at this time. Suffice it to say, you know what a crushing expense this would be in an already poor year for any bank.

I would particularly urge you to look at a required stock purchase in the FDIC as a condition for Insurance. From our conversation with Art Murton today, I understand that the FDIC may actually already have the authority to require this. In any event, I think a required stock investment could give the FDIC the needed assurance of adequate liquidity from bank funded sources without having to expense ten years worth of mistakes in a special assessment. I think this is a measure that would be supported by every banker. And based on my less than perfect knowledge of accounting, it would seem that so long as the stock provided the minimum required value of the prerequisite to obtain FDIC insurance, then it would not be subject to write down. Or perhaps it could be a second class of common stock to the United States' class of common stock in the FDIC, and be a non-voting common, so no income is expected from it and it would always be carried at cost. As a bank grows and purchases more shares at par to stay insured, it proves the continuing value we have on our books because shares will be constantly purchased at the same price to cover growth. A minimum purchase level requirement should also be required of new institutions, say covering their first 50,000,000 in assets.

Please pursue this and any other idea to reduce the large current year expense that threatens the stability of many banks.

Sincerely,

Charles H. Blanchard,
Chairman and CEO
First State Bank
Russellville, AR

Cc: Arthur Murton
Director
Division of Insurance and Research