From: Vernon Montroy [mailto:vernonmontroy@aol.com]
Sent: Thursday, March 12, 2009 12:17 PM
To: Comments
Subject: Assessmenets RIN 3064-AD35

Re: "RIN 3064-AD35"

It isn't very often that I take the time to comment on legislative proposals, etc. due to the time constraints I have in just running the day to day banking activities. However, in this particular case, I feel compelled that I let you know how many of us are feeling. I've talked with a number of my banking friends and we all feel pretty much the same.

I have given this topic a lot of thought and I realize the enormous pressure on Sheila Blair in reaching a decision in which everyone will be happy. I believe that everyone would agree that we all want an FDIC fund that will be sound for years to come, just as it has been since the fund was established back in 1933. Our customers need to have this reassurance that this fund is stable and that they don't have to worry about their deposits.

The question that has to be addressed is: What is the best way to accomplish this task in order that it will be equitable to the majority of banks?

In order to address this, we need to go back to how this all got started. Even before the recession got into full swing, congress was already contemplating a plan to bail out Wall Street, FNMA, FHLMC, AIG, Citibank, GM, Chrysler, etc. to the tune of over a trillion dollars of tax payer money. I, along with many other Americans was completely against this bail out. When you look at the thousands of pages in the text of the bail out legislation, I can only surmise that very few congressmen, if any, had a clue what was in the actual bail out plan. How can a bill of this magnitude be completed with such speed. Congress wasn't even aware of what really caused all of these companies to become virtually bankrupt. Was it poor management, regulatory decisions, fraud, risky investments, poor regulatory over-sight, etc.? Maybe it was a combination of several of these. One thing I do know is that you cannot just throw money at this problem to try and fix it without knowing the cause of it.

Why didn't congress seek out financial, economic and consulting experts in these various fields to figure out what happened. If after everything was analyzed as to the cause of these company failures, then decide on what to do and how much to spend and how quickl y it should be done. So what does Congress do? They throw money at it without even trying to determine what caused the collapse. Wow, what smart people we have in congress!

What does all of this have to do with our situation? Well first of all, the majority of the 8,000 community banks, including ours, have all done what is expected of them. We've taken deposits from our community, loaned out this money to our customers, invested in our communities, contributed a significant amount of money to our community organizations, held bonds of our communities, and our employees have given of their time to help our communities grow and prosper. We've all paid our Federal and State taxes and we did not participate in high-risk activities that likely led to this current economic crises that we are facing. We've run our banks just like they should be run, honorably and conservatively. Our own bank has remained strong, with risk-based capital ratios above 10%, good liquidity, good CAMEL ratings, etc. The top four people of our management team at our bank have 125 years of banking experience.

Can we say that about the banks and companies that are being bailed out? The FDIC did nothing to cause=2 0the decline in insurance reserves. It has always been well managed and has always stepped in when there were bank failures and every customer of failed institution has recovered their deposits. Why is Congress so eager to help an institution that did not "play by the rules", but leave those that did, to fend for themselves.

I believe that Congress has to pass legislation that will increase the FDIC's borrowing authority. It is also important that the FDIC be given other much needed authority to correct the disproportional burden on community banks such as ourselves. I applaud the recent reduction in the special assessment from 20 BP to 10 BP, if Congress increases the FDIC's borrowing limits.

Our particular bank would have an extreme hardship if the 20 BP assessment was enacted. In 2007, our FDIC assessment was $40,000. In 2009, with the 20 BP, our FDIC insurance expense would go to $208,000 and $104,000 if we have the 10BP assessment. This certainly has a significant impact on our bottom line. This takes away much needed capital that we drastically need. If enacted, we would have to limit our dividends to our shareholders and our lending would decline due to the reduced capital levels.

I urge the Congress to enact legislation that will enable the FDIC to increase their borrowing capacity to a minimum of $500 Billion and l ine of credit to $100 Billion We also urge Congress and the FDIC to expand the deposit base to include total assets instead of deposits. Thus larger banks would shoulder more of their fair share of the special assessment. Banks also need a change in accounting rules during the period of special assessment so that banks can write off this assessment over an extended period of time, such as 7 years.

I sincerely thank you for your consideration of these proposals and appreciate the opportunity to address these issues with you.

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