From: Randy Smith [mailto:rsmith@advantagebank.biz]
Sent: Tuesday, March 10, 2009 7:00 PM
To: Comments
Subject: FDIC Special Assessment

Thank you for providing an easy avenue to communicate with you.

My small community bank is located in Spencer, Oklahoma, which is a suburb of Oklahoma City. Spencer is located in a low to moderate income area of the city. My bank has total assets of just less than $50,000,000 and is a third generation business. Our deposits total slightly more than $43,000,000. We are terribly concerned about the recent decision of the FDIC to levy the special assessment.

We have worked very hard to manage our bank in a safe and sound manner and a recent FDIC examination verified that we have been successful, in spite of all of the other challenges facing us and my colleagues in the community banking business. By the technical definition of a subprime loan, we have been in the subprime business, but not in the same way that has resulted in a never-before-seen meltdown of our country's financial system. Our subprime loans have been made to low income folks in our community who, although have limited income, have demonstrated a willingness and ability to repay their debts. Many of the loans that we make to these individuals are very small in size. In fact, most banks in our community and elsewhere would not be willing to fool with these small loans. However, we feel that these clients deserved to be served and we are happy to provide them with our best service.

Obviously, our overhead expenses are higher than our peer group but we have made the decision that we are willing to deal with these expenses in order to fulfill our mission of serving people of all income levels in our community.

Late last year as I and my leadership team were meeting to plan for this year, we recognized that 2009 was going to be a very difficult year for us. We knew that our economy was worsening at a time when the regular quarterly FDIC premium expense would be due. For our small low-risk bank, this regular FDIC premium expense will be about $60,000. Based on our earnings last year, this premium expense represents more than a month's average income. The special assessment of 10 b.p. or 20 b.p. will be an expense of about $43,000 or $86,000. This new, and unexpected, expense will be devastating to us.

This very significant expense, coupled with all of the other challenges, is placing us in the predicament of making some very unpleasant decisions. We clearly cannot continue supporting the expenses of the past. We are not going to be able to support our community with the many charitable contributions and sponsorships of local events. It will probably be necessary for us to lay off some of our staff and to decrease the benefits, like health insurance, for the remaining employees.

Please consider some of the options that have been mentioned by many. Some of these options are:

a. Do not adopt a "one-size-fits-all" approach. Use a convertible debt option whereby the FDIC borrows from the industry and maintains the authority to convert that debt into capital to offset any losses if the funds are needed.
b. Or, borrow from the US Treasury under the FDIC's current borrowing authority. Truthfully, I am no longer concerned that the image of bankers can be damaged any more than it already has been. It seems that everyone, including those in the highest levels of government, have described all bankers with the same negative tone that should have clearly been placed on the leaders of the too-big-to-fail institutions (and too-big-to-regulate).
c. Have the FDIC access TARP funds and allow the banking industry to retire that debt obligation over time at a reasonable interest rate, or make its required payment all at once to avoid the interest cost.
d. Reauthorize the Financing Corporation (FICO) to issue bonds to be retired by the banking industry over time, much like the FICO bonds used to pay off the debts of the savings and loan industry collapse.

I am sure that there are additional options that would be less devastating to the community banking community. Please consider them.

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