From: ALTA VISTA STATE BANK [mailto:avbank@tctelco.net]
Sent: Tuesday, March 10, 2009 11:44 AM
To: Comments
Subject: Assessments, RIN 3064-AD35

On Friday, Feb. 27, the FDIC announced it would impose a 20-basis-point special assessment on all domestic deposits as of June 30, 2009, to help recapitalize the Deposit Insurance Fund. This special assessment will be in addition to the regular assessment for 2009, which for most banks will be between 12-16 basis points.

On March 5, FDIC Chairman Sheila Bair announced that the FDIC could reduce the special assessment to as low as 10 basis points if Congress enacted legislation that would increase the FDIC's borrowing authority from Treasury (currently $30 billion). The FDIC estimates the 20-basis-point special assessment would reduce aggregate 2009 pre-tax income for profitable banking institutions 10 to 13 percent, increase losses for nonprofitable banks by 3 to 6 percent and reduce the industry's aggregate year-end capital approximately 0.7 percent.

Community banks are being unfairly penalized. Community banks didn't participate in the risky practices that led to the economic crisis, yet they are being penalized by having to pay this onerous special assessment on top of regular assessments that are more than double those of last year. The community banking industry is the bright spot in this current economic storm. The vast majority of community banks are well-capitalized, common-sense lenders that have been and want to continue to help in the economic recovery process in cities and towns throughout America. This special assessment will only hinder their ability to do so.

The special assessment should be based on total assets (minus tangible capital), not total domestic deposits, so that banks that caused the problems pay a bigger share. In the case of a 20-basis-point special assessment, ICBA estimates that if the assessment base was broadened to total assets (minus tangible capital), the same amount of revenue could be generated for the Deposit Insurance Fund (i.e., approximately $15 billion) by assessing every bank approximately 12 cents per $100 of assets as opposed to 20 cents per $100 of domestic deposits. I support broadening the assessment base to include total assets (minus tangible capital). Since large banks hold a proportionately larger share of total banking assets than total domestic deposits, large banks would shoulder more of their fair share of the special assessment if the assessment base was broadened to include total assets.

Accounting rules should be changed. I support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years.

I support a systemic-risk premium for the large, "systemically important" banks. This premium should be large enough to pay for the substantial risk of insuring these institutions. Also urge the FDIC to consider the assistance provided systemically important institutions in determining the special assessment.

Failing large banks will have access to TARP money to pay for the premium. It's unfair that so many of the large banks have received tens of billions of dollars of TARP money and will have the ability to use these taxpayer funds to pay this premium.

The FDIC should explore all alternatives for funding the DIF in lieu of the special assessment. There are many alternatives to funding the DIF in lieu of imposing a special assessment, including using its existing authority to borrow from the Treasury, issuing debt instruments to the public or using its authority to borrow from the banking industry. All of these alternatives should be thoroughly examined with community bank input.

Thank you for your time and consideration in this very important matter.

Sincerely,

Elizabeth Moyer
President
Alta Vista State Bank