From: Karen Moehring [mailto:Kmoehring@villagebankonline.com]
Sent: Wednesday, March 25, 2009 5:49 PM
To: Comments
Subject: Assessments, RIN 3064-AD35

Public Comment on the Proposed Special Assessment, RIN 3064-AD35

Dear Chairman Bair,

We have reviewed your message of March 2, 2009 entitled "Important Message from FDIC Chairman Bair for Bank CEOs on Assessments" and would like to offer the following comments. First, we respect and appreciate the work you and the FDIC are doing during these difficult economic times. Three of our top executives have a combined 35 years of experience working for the FDIC and experienced the Savings and Loan crisis during the late1980s from a regulatory perspective. We acknowledge that you have difficult decisions to make that have a profound impact on banks, public confidence, and the overall economy.

Village Bank is a $260 million bank located in the northern suburbs of Minneapolis and St. Paul. We have thrived over the last 15 years by providing excellent service to our local community and providing funds to small businesses so they can grow, prosper and create jobs. We operate in a safe and sound manner and have not needed government assistance. Unlike most financial institutions, we have continued to lend during these tough economic times to people and businesses that can weather the current economic storm and come out of this recession stronger and wiser. Although our profits and margins are down, our liquidity is sound and we have money to lend and invest in our local community.

The proposed special assessment, which would cost our bank more than $400,000, will substantially impact how we conduct our business. Clearly, the unexpected assessment is not part of our budget and it is not a cliché to say they we cannot afford it. To counter this increased cost, we would curtail our lending activity since there would be less money to fund our reserve for loan growth. Further, we would be forced to cut back our staff, adding to unemployment. We believe most banks would follow in these steps, which will worsen the credit crunch and hamper any recovery.

The assessment is analogous to our Bank imposing a large fee to all of our residential home builders to increase the reserve that covers the loans for that troubled sector. While this sounds good in theory, the exact opposite would happen. The fee would force more builders out of business, increasing the losses, and reduce the reserve even further. The same thing will happen if you impose this special assessment. More banks may fail which will further deplete the Deposit Insurance Fund (DIF).

The FDIC has consistently and rightfully asked banks to think ahead with long-range strategic plans. We respectively ask you to do the same with the DIF. The proposed special assessment is reactionary and does not allow the banks to effectively absorb the cost.

We know that the DIF needs additional funding and we agree that the banks should fund the system; however, timing is everything in business. We feel it is critical the proposed special assessment be deferred until 2011 when the banking system is on more solid ground. We also ask that the special assessment be phased in over a period of at least four years. This will allow the banking system to plan for and absorb the cost without a major disruption to operations. This approach combined with the plan to remove so called "toxic assets" allows banks to get back into the business of lending which is absolutely necessary to pull us out of this recession. It should result in fewer bank failures, which will help restore confidence and help preserve the DIF.

Thank you for considering our comments. We welcome additional dialogue on these topics. Please feel free to contact our President, Larry Schminski, at 763-398-3561.

Sincerely,

The Village Bank Board of Directors
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