KIRKPATRICK BANK
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kirkpatrickbank.com • Member FDIC

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March 24th, 2009

Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Attn: Comments

RE: RIN 3064-AD35; Assessments; 12 CFR 327; 73 Federal Register 61560;
Oct. 16, 2008, as amended in 73 Federal Register 67423, Nov. 14, 2008

Dear Mr. Feldman:

Kirkpatrick Bank appreciates the opportunity to comment on the proposal of the Federal Deposit Insurance Corporation (FDIC) to alter its process for determining risk-based premium assessments. Bank premiums, and the earnings on those premiums, have financially supported the FDIC for its 75 year history. We understand the importance of having a financially sound FDIC insurance fund. We also understand that current failures have placed demands on the Deposit Insurance Fund's reserve ratio. However, we feel the proposed special assessment on top of regular assessments already slated at more than double those of last year, is both unnecessarily aggressive and onerous.

Kirkpatrick Bank is a community bank. Like most community banks, we have maintained a conservative lending profile and now stand as a key source of financing to spur local economic recovery. These assessments will impair our ability to do so. At the proposed 20 basis points, the special fee assessment would be approximately 20% of this year's budgeted earnings, or $773,689. Even at the proposed reduced level of 10 basis points, the impact would be approximately 10% of this year's budgeted earnings, or $386,844. That is in addition to the annual premiums due in September, which are also slated to increase.

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Reduced earnings means reduced capital and therefore, reduces our legal lending limit. Additionally, the unexpected expenses will have to be offset. In order not to adversely affect jobs, the logical category for cuts is our community support expressed in sponsorships and donations. These have focused on schools and non-profits in our community.

We believe that this special assessment could be pro-cyclical, pulling funds from banks at the very time in the economic cycle that more lending is needed. The FDIC has the statutory flexibility to extend the time period for rebuilding the insurance fund. It also has access to a variety of alternative funding strategies, such as borrowing from the Treasury, issuing bonds, or borrowing from the banking industry, any of which would maintain the integrity of an industry-funded DIF, while allowing the industry to pay the cost of recapitalizing the DIF over time. We also support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years.

We believe that any special assessment should be based on total assets, minus tangible capital, rather than total domestic deposits. A risk-based assessment ought to include some scalability to reflect the source of risk. In the current environment, the banks that caused the problems should pay the larger share of recouping from the problems. In this vein, a systemic-risk premium for the large, "systemic" banks would appropriately assign a premium that would cover the substantial risk of insuring these institutions. At the least, the assistance provided these institutions should be considered in determining the special assessment. Consider that many of the large banks have received tens of billions of dollars in TARP money and will have the ability to use these taxpayer funds to pay this premium. If they pay proportionately larger premiums, at least the taxpayers will recoup the benefit of their investment in the form of a healthy DIF, unlike the bonus payouts from the AIG debacle.

To conclude, Kirkpatrick Bank supports the concept of an industry-funded DIF. We ask that the FDIC select other funding alternatives to replenish the funds beyond a one-time hit to liquidity, earnings and capital at the economy's most vulnerable moment. We support a risk-based assessment. We ask the FDIC to follow a risk-based analysis so that where more risk exists, larger premiums are paid.

Sincerely,

George M. Drew
President & CEO