March 9, 2009

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

Re: "Assessments, RIN 3064-AD35".

Dear Mr. Feldman:

At first I was just numb when I read the FDIC Board's proposal to impose a special assessment on the banks in our country to pay for the rape and pillage of the FDIC insurance reserve by the nation's largest banks and thrifts, but now I am just angry. I have been a community banker for 30 years and have been through the agriculture crisis, the S & L crisis, and now the Wall Street crisis. As an ag bank, we survived that crisis with our own capital, yet we watched with dismay as the federal government bailed out the Farm Credit System. We paid exorbitant premiums to the FDIC back in the 1980's in order to replenish the fund and to this day we are still paying on the FICO bonds which bailed out the thrift industry. We watched as the BIF and the SAIF were combined into the DIF only to see IndyMac drain it. We watched as Gramm-Leach-Bliley allowed the investment banks and insurance companies to dilute the fund by rolling hundreds of millions of dollars of liabilities into FDIC insured banks. And now we are watching as GMAC pays above market rates for FDIC insured deposits as the government fills their engines with more capital.

As a banker I didn't sit idly by and just complain. I got involved and tried to play a role in shaping our future so that this wouldn't happen again. During my career as a community banker I have written dozens of comment letters, testified before state and Congressional committees numerous times, served as President of my state banking association, a Board member of my State Banking Department, and as Chairman of the Independent Community Bankers of America. I also served on Chairman Don Powell's FDIC Advisory Committee on Banking Policy, Fannie Mae's Advisory Council, and the Federal Reserve's Consumer Advisory Council always pleading my concerns regarding the risks of mixing banking and commerce and excessive concentration of financial resources.

Together with my colleagues I have spent the past 25 years warning policy makers of the systemic risk that was being created in our nation by the unbridled growth of the nation's largest banks. I argued that it was unfair for Merrill Lynch to convert all of their cash management accounts to FDIC insured deposits when they had never paid a dime into the FDIC fund. I testified to the FDIC that if Walmart were ever allowed to own a bank that their failure could wreak havoc on our financial system. I pleaded with Congress and the regulators to lift the regulatory burden off of community banks because we didn't commit the crimes that the regulations were designed to prevent. But alas, I was told that I didn't get it, that I didn't understand the new global economy, that I was a protectionist, that I was afraid of competition, and that I needed to get with the "modern" times.

Sadly, we now know what modern times look like and it isn't pretty. Our financial system is imploding around us. I lay awake at night worrying about what I should be worrying about. I know as majority stockholder of my small rural bank that the future of my bank is in jeopardy, not because of anything that I did wrong. My bank didn't make even one sub-prime real estate loan and we didn't engage in risky hedging practices or build loan production offices in Las Vegas. My bank didn't deplete one dime from the FDIC fund, but once again I am being asked to pay for those that did.

You have argued that many of the banks that failed and depleted the fund were community banks, but you are not telling the whole story. Many of those banks were taken down by the shrapnel in the in the war zones. While Citicorp and Bank of America and Wachovia are bailed out, the systemically unimportant community banks are allowed to fail. The government is picking the winners and the losers.

You have argued that it is in my best interest to pony up and do my "fair" part in replenishing the fund in order to restore public confidence, but no part of this is fair and frankly I'm getting tired of being told that life isn't fair. The fact of the matter is that the FDIC fund/system failed many months ago when the government started injecting billions of dollars into Citicorp. Why didn't they take it out of the FDIC fund? We all know the answer. There wasn't even close to enough money in the fund to handle the failure because no one ever anticipated that a trillion dollar institution would fail. Exactly one year ago we asked Chairman Bair and Chairman Bernanke at the ICBA national convention whether we were in any danger of a large bank going down and we were told unequivocally "no." Even the best and the brightest didn't see it coming.

This proposed special assessment that you are proposing is just smoke and mirrors. It is nothing more than another tax on my bank in addition to the taxes that my bank already pays and the taxes that I pay again as an individual. The assessment will not save the fund because the fund has failed. The federal government has stepped in to act as the reinsurer even though there was no reinsurance.

If your proposal is passed, once again community banks will be disproportionately impacted. And these are the very institutions that we should be counting on to help us out of this mess. Deposits don't cause banks to fail, bad assets do. Yet the largest banks don't pay assessments on a huge percent of their asset base since they fund them with borrowed funds, corporate debt, and off-balance sheet liabilities. My $45 million bank paid about $8,000 in FDIC premiums in 2008 due to the "credits" we had left from the last bailout. This year we budgeted $50,000, which will now be low with the proposed increases to the "regular assessment." Then the "special" assessment will bring on an additional $80,000 premium. And of course there's the "option" to assess additional premiums if necessary.

FDIC assessments will represent 30 – 50% of my net income <u>if I have no loan losses</u>. I must admit that I laughed out loud when I read the projection that only 10-13% of 2009 income would be impacted. I was later told by the Chairman's office that those projections were based upon 2008 income of only the <u>profitable</u> banks. Excuse me, but what was the logic of measuring it that way? Why would you not count those banks that have lost money too? Is it because it would make the numbers look worse? If you started with the average income of all banks in 2008, it is easy to project that net income for all banks will be down substantially in 2009 if for no other reason that the higher "regular" FDIC assessments. Then if you add in the "special" assessment, higher loan losses due to the economy, and low-to-negative margins due to liquidity that is flooding our banks as depositors seek refuge with us, your projections are totally unfounded and meant to support a position that is misleading at best. In fact, the "special" assessment is likely to lead to the failure of more banks which will lessen our ability to make loans which will further exacerbate the credit crisis which will further affect our communities which will further impact out banks. It's a death spiral.

This proposal is wrong and unjustified. Even if the assessment is dropped to 10 b.p. I would still object to it. The fallout of this crisis shouldn't be paid for by my bank. The too-big-to-fail banks need to pay for their own sins. However, if the FDIC board believes that it still must move forward on this proposal I would offer the following suggestions.

- 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.

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

- There should be an additional systemic-risk premium for the large banks. The additional premium should be severe enough to disincent banks from becoming systemically important and should be large enough to pay for the substantial risk of insuring these institutions. I also urge you to consider the assistance already provided systemically important institutions in determining the special assessment.

- Failing large banks will have access to TARP money to pay for the premium. It is 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.

In closing I would urge you to explore all alternatives for funding the DIF in lieu of the special assessment. There are many alternatives including using your existing authority to borrow from the Treasury, issuing debt instruments to the public or using your authority to borrow from the banking industry. My bank will be happy to make you a loan if you give me good collateral and provide strong guarantees. After all, that's what prudent lending requires.

If you have any questions, please don't hesitate to call me.

Sincerely,

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