From: Jackie Miller [mailto:Jmiller@Bank1stAlbuquerque.com]
Sent: Tuesday, March 10, 2009 10:21 AM
To: Comments
Subject: Assessments, RIN 3064-AD35

This comment relates to FIL-12-2009 which announced RIN 3064-AD35, a proposed special assessment equal to 20 basis points with additional special assessments likely to follow. This form of restoration for the FDIC reserve is unacceptable for all community bank institutions. For those banks who have not been involved in the issues which caused the so-called too big to fail banks to require bail-out, it is unfair to assess strong institutions additional expense over and above the current FDIC assessment rates. For those banks who have difficulties, due to economic conditions and the state of the real estate market, to impose additional burden on already strained capital levels is equally unfair; particularly since the risk based calculations will already be increasing assessment expense for those banks who are experiencing difficulties.

While all banks would agree that public confidence in the FDIC and federal deposit insurance is very important, not only to the country but to financial institutions and consumers alike, it is worth noting that one way to diversify the risk is through the use of CDARS reciprocal deposits. There has been some progress in regulatory views of this product, but there is a long way to go on the topic. Reciprocal balances through CDARS provide a way for community banks to obtain crucial funding while providing consumers with assurance that their dollars are insured by many institutions and not at risk in just one. It is imperative that these deposits be removed from classification of brokered deposits for all institutions. Banks who use the reciprocal CDARS are not obtaining "brokered deposits" or "hot money" of any kind, merely using their local depositor's funds and fully insuring the deposits, while gaining reciprocal deposits from other institutions. It is clear that this product diversifies the risk of the insurance fund among many institutions.

Another point to make about the safety of the insurance fund relates to the current climate in FDIC examinations. By placing more institutions in the "troubled bank" classification, the FDIC has increased the risk of failure through its own actions. In some cases, deteriorating real estate values and problems with individual borrowers have caused a spike in problem assets for some banks. Not allowing banks to attempt to work through these issues by vigorously and relentlessly pursuing public notice actions instead of private board resolutions will create a self fulfilling prophecy for the FDIC, more banks will fail. There seems to be no concern for how the public views these "troubled" institutions and plenty of criticism without allowing reasonable time to work out issues. These comments relate to banks who have problem loan portfolios due to economic conditions, not to those who are victims of mismanagement. In such cases, the FDIC, by enforcing public orders, increase the risk to the insurance fund un-necessarily and expose that institution to more burden through this special assessment.

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