VILLAGE
BANK

Thomas W. Winfree
President & CEO

November 18, 2008

Robert L. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
Attn: Comments
550 17th Street, NW
Washington DC 20429

Re: Comments – RIN 3064-AD35

Dear Mr. Feldman:

I am writing as President and CEO of Village Bank, a local community bank headquartered in the Richmond, Virginia Metropolitan area, to comment on the FDIC's proposed five-year plan to recapitalize the deposit insurance fund.

The FDIC's proposal would increase premiums through a number of changes to the deposit insurance assessment rate and impose significant additional expense on financial institutions, such as Village Bank, during a time when earnings are and will be significantly strained as a result of the economic situation we are currently experiencing.

The FDIC's proposal would increase premiums for all insurance institutions by 7 basis points in the first quarter of 2009. Thereafter, under a new risk based assessment system, the premiums could be increased to a range between 10 basis points and 14 basis points, significantly up from the current 5 basis point to 7 basis point levels. These increases come at a time when significant challenges in our market place substantial stress on financial institutions in their ability to provide credit to the communities it serves. Our ability to raise additional capital within this environment is extremely difficult and certainly not advisable from a business standpoint taking into consideration our depressed stock prices. On the one hand, the FDIC views the cushion to the FDIC insurance fund provided by capital as extremely important; however, the increased burden resulting from the expense of higher levels of insurance premiums will add to the depressed earnings. This will translate into still weaker stock performance therefore creating a weak environment for new capital into our institutions from sale of common stock. Our industry will need to pay back the new TARP capital through raising traditional capital through common stock.

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Furthermore, the FDIC's proposal to impose an add-on premium charge for liability, such as Federal Home Loan Bank advances, should be reconsidered and not included as a risk factor under the FDIC's rule. This funding source for community banks which, for the most part, have not been abused in the community banking sector, have been a source of providing healthy lending and have proven to be an economical funding source with reduced risk relative to alternatives.

With regard to the FDIC's position pertaining to brokered deposits as a new risk factor, I strongly urge consideration to be given towards excluding the CDARS service and sweep accounts since they are more in the nature of core deposits than brokered deposits.

On an added note, I strongly urge the FDIC, the Treasury and Congress to allow the dividends we will be paying on the TARP preferred stock to be deductible for tax purposes. Even at 5% deductible, this is very expense at a time when we can ill afford it.

I thank you very much for considering these comments and would like to have the opportunity to further discuss this with anyone who would choose to call me at (804) 897-3900 or through my e-mail twinfree@villagebank.com.

Sincerely,

Thomas W. Winfree
President/CEO

TWW/dmg