Summit FINANCIAL GROUP

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December 17, 2008

Mr. Robert E. Feldman
Executive secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429
Attention: Comments – RIN No. 3064-AD35

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking and Request for Comment – Deposit Insurance Assessments; RIN No. 3064-AD35

The Federal Deposit Insurance Corporation ("FDIC") has issued a notice of proposed rulemaking (the "Rule") with respect to deposit insurance assessments. This letter sets forth the comments of the Summit Financial Group with respect to the Rule. We appreciate the opportunity to address this important issue.

Deposit insurance, provided through the FDIC's Deposit Insurance Fund ("DIF") is a significant consumer protection critical to the financial system. The proposed insurance assessment plan is an important and necessary step to ensure that the fund returns to its statutorily prescribed level. However, during this period of remarkable financial market turmoil, this should be done in a manner that reflects these conditions.

Continued uncertainty in global financial markets and the Federal Government's unprecedented efforts to address the crisis have created significant policy issues not considered within the Rule. The Emergency Economic Stabilization Act signed into law on October 3 raised deposit insurance levels to $250,000. Congress, while authorizing such coverage, specifically excluded the increase in coverage from the calculation of the DIF ratio signaling its preference to avoid an additional insurance premium increase. Furthermore, on October 14, the FDIC, the Treasury and the Federal Reserve, in consultation with the President, invoked its systemic risk authority and extended unlimited deposit insurance coverage to all non-interest bearing transaction deposit accounts while also leaving this increased coverage out of the DIF ratio.

The actions cited above will expire on December 31, 2009, suggesting a comprehensive review of the nation's deposit insurance system will occur next year. It is my belief that these changes need to be made permanent. Bank customers need to be able to deposit their funds in community banks without concern and banks need stable funding sources from which to make loans and keep credit markets fluid.

I have at least two major concerns with the proposed rule as it currently exists. First and foremost, the proposed structure includes provisions that "penalize" banks for funding its loans and other assets via means other than core deposits such as brokered deposits and borrowings (including borrowings from the Federal Home Loan Bank System ("System".) The System provides community banks

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with access to debt markets they would not otherwise have because of its status as a government sponsored entity. These funds are put to use in communities all over the country by large and community banks alike. If adopted as currently proposed, the penalty for our organization will be almost $500,000 per year. If this rule is adopted as currently written, our response will be clear - to curb lending. There is simply no way we can continue down our present path of growth in the short-term without having access to these funds, without penalty. Clearly, I do not know to what extent other banks will react, but I think the growth of the System may give us some insight to the potential for this to further restrict the flow of credit. This growth rate is over 11% on a compound annual basis since 2004 - or over $300 Billion.

As you can see, the System has provided tremendous liquidity to our banking system. Whether or not it should be used more or less is a debate for another day. My point is we don't want to restrict credit further now. The FDIC should abandon its efforts to penalize banks who have relied on this source of funding, if not permanently, at least in the near term.

Secondly, the FDIC should extend the timeframe to rebuild the DIF. Under extraordinary circumstances, the FDIC may extend the DIF restoration period beyond five years. Considering that the FDIC has already cited its statutory authority to prevent systemic risk in its earlier actions, and the Federal Reserve and Treasury have taken steps reserved for extraordinary circumstances, it is only fitting that the FDIC use this opportunity to extend the period for DIF restoration.

By extending the restoration plan from five to at least ten years, the FDIC would ensure that new fees charged to already struggling institutions would remain reasonable. The FDIC would, though more slowly, begin to rebuild the DIF. Policymakers would have greater time and flexibility to vet the future structure and coverage of the system.

In light of these factors, the FDIC should suspend implementation of the new risk-based premiums and amend the current proposal to extend the DIF restoration period.

Please let me know if I can provide any further information on this issue or if you would like to discuss this further.

Sincerely,

H. Charles Maddy, III
President & Chief Executive Officer

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Enclosure