From: Debbie Newkirk
Sent: Monday, March 02, 2009 5:09 PM
To: Comments
Subject: Special FDIC Assessment

Two issues:

We would ask that the FDIC reconsider the special 20 basis point assessment due September 30, 2009. Several other alternatives are available without putting an additional financial burden on community banks that were not involved in subprime lending and that have continued to operate in a safe and sound manner. Due to the liquidity problems caused by the Wall Street Banks we are already having to maintain higher levels of liquidity than we might otherwise maintain, and that does result a reduced net interest margin for the bank. Because of the issues that the big banks have created, we are forced by the regulatory agencies to be more restrictive on our credit underwriting, which is also causing financial challenges. Projected income for the year is already down significantly from prior years. To further impose a 20 basis point special assessment on banks that have not engaged in risky practices and that create minimal risk to the deposit fund will make it that much more difficult for the bank to have reasonable profitability in the coming year. The banks that created the current challenges to the fund enjoyed excess earnings in prior years due to their risky and often unethical practices (i.e. subprime lending), while our bank did not reap in those rewards since we maintained a safe and conservative philosophy.

I would propose trying to work with the Obama administration to use TARP funds to help recapitalize the insurance fund instead of pouring more money into banks that are considered too big to fail. Break down the “too big to fail” banks and let the smaller community banks have an opportunity to buy the branches and deposits in their communities.

If we do have to pay the 20 basis point special assessment on September 30, 2009, the FDIC should work with the accounting groups to allow banks to accrue the expense over a 12-18 month period instead of having the accrue the entire amount over the next 6 months. That way we could at least defer part of the expense into 2010. Maybe allow less risky banks to defer the expense over 18 months from a reporting standpoint so that you don’t create financial hardship for banks that weren’t part of the problem, and make those banks that are more risky expense the full amount by September 30, 2009 since they may not survive anyway.

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A $600 million community bank