Believing in the American Spirit
HERITAGE BANK
OF CENTRAL ILLINOIS

March 28, 2009

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

RE: Assessments, RIN 3064-AD35

Gentlemen:

This letter is to comment on the recent announcements by the FDIC to use a special assessment to replenish the deposit insurance fund. While an assessment adjustment may be needed at some point to bring the fund back into compliance, now is not the time to add a special assessment expense of 20 basis points or even 10 basis points to a banks' bottom line. The banks are already faced with **significant base assessment increases**, which for our bank will amount to an increase of **183% or approximately $577,000 per year**. This alone has caused us to make significant budget cuts for the coming year, which include reductions in contributions to our community, reductions in employee salaries, and deferral of other expenses. An additional "special assessment" of between $300,000 and $700,000 (depending on the rate) will force us to drastically adjust expenses including **decreasing interest rates paid to customers, increasing interest rates and fees charged to customers, and ultimately curtailing lending, in an effort to preserve capital**. This ultimately will prolong the current economic downturn and possibly intensify its severity. This seems contradictory to what is being asserted by government officials. While it is clear that at some point the fund will have to be rebuilt, now is not the time to put an additional burden on the backs of the community banking industry. Once this recession is past and banks are again making money, it would be a much more appropriate time to rebuild the fund. If a special assessment is then required, allow it to be expensed over several years at minimum.

As a community bank it seems we are getting an inequitable share of the costs associated with this financial collapse when in fact we were not party to creating the problem. Many of the banks who helped to create this problem are receiving huge amounts of money while the community banks are getting a big bill. That bill is disproportionate to our involvement. An alternative method of assessment should be considered, including a net asset based calculation. Once again this should be considered when this financial crisis and recession are rectified. The current solution should be accomplished by utilizing the borrowing capacities the FDIC already possesses and then considering an appropriate assessment which could be funded over a time period which would not severely strain earnings and bank capital. Under the current proposal the FDIC has indicated, in its own review, this special assessment will cause some banks to lose money and become less than well capitalized which would only seem to compound the overall situation in a time when raising capital is extremely difficult.

We sincerely appreciate the opportunity to provide comments on this very important issue and thank you in advance for your consideration of this matter.

Sincerely,

Paul E. Heuerman
Executive Vice President

Jackie Overstreet
Vice President Controller

12223 West Farmington Road · Hanna City, IL 61536-9512 · Ph. (309) 565-4261 · Fax (309) 565-7660