From: Alison Blanton [mailto:alison_blanton@yahoo.com]
Sent: Wednesday, October 28, 2009 7:34 PM
To: Comments
Subject: Prepaid Assessments.12 CFR Part 327 - RIN 3064-AD49

Thank you for the opportunity to comment on the subject of banks prepaying assessments three years in advance as a way to reconstitute the deposit insurance fund.

While I as a bank shareholder realize that there are few good options available to the FDIC, and that while not perfect, prepayment of assessments may be one of the better options out there, I do think that in the spirit of fairness the following recommendations should be considered.

First, please strongly consider changing the Deposit Insurance Fund assessment calculation to a percentage of total assets minus tier 1 capital instead of as a percentage of total deposits. I believe that the FDIC made great strides towards fairness when calculating the June 30, 2009 special assessment wherein the assessment was 5 basis points of the banks total assets minus its tier 1 capital. This is a much more favorable way of calculating the assessment rate for community banks. Community banks are the institutions that are staying true to their community by drawing the vast amounts of their funding from their local communities and then in turn are loaning those funds back out into their communities. Peoples Bank's deposits represent 86% of our assets. Our peer banks deposits represent 83% of their assets. If our peer group were an equal representation of the banks that are receiving deposit insurance then I would agree that this was a fair way to calculate the premiums for the Deposit Insurance Fund, but consider the deposit to asset ratio at Chase Bank, an institution with $94 billion in assets. Their deposit to asset ratio is only 44%. Now consider that that is even a high ratio than their peer group. Their peers deposit to asset ratio is 36%. Now I ask you this, who is responsible for the banking crisis that we are now in? Is it the community banks like ours all over the country or is it the enormous too big to fail banks? They are the ones that clearly demonstrated the power to create systemic unrest. They were the ones that created the mortgage products and derivative products that were so complicated that they didn't even understand them. They drove the economy into this recession and now they are bearing the least share of the burden among us in reconstituting the Deposit Insurance Fund. Thirty years ago, basing the assessments on deposits made sense. Today, it does not.

Second, please also consider eliminating the 5% growth charge from the prepaid assessment. Simply put, by funding the prepayment banks are foregoing the opportunity to invest those funds. If we don't have the funds to invest the money and benefit from its growth we should not have to pay it out.

Third, consider a discount for those banks that are able to prepay into the fund. If banks on the verge of failure are not required to pay into the fund, then the burden of protecting those banks falls on the healthy banks – like mine. We should get some kind of discount for the lost opportunity cost of these prepaid funds. This is cash being taken out of the system that could otherwise be lent out to help spur the recovery.

The bottom line is we are not asking to be excluded from the economic recovery process just because our bank is healthy. All we are asking is that reasonable and fair consideration be given as we find our way forward.

Thank you for your thoughtful consideration of these comments.

Regards,
Alison Blanton
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