From: Nichoalds, Todd [mailto:todd.nichoalds@firstcitizensonline.com]
Sent: Wednesday, October 28, 2009 6:14 PM
To: Comments
Subject: Prepaid Assessments, Proposed Rule - AD49

Robert E. Feldman, Executive Secretary
ATTN: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

RE: RIN 3064-AD49

Mr. Feldman,

We appreciate the opportunity to comment on the FDIC's proposal to impose a required prepaid assessment. Understanding the challenges the FDIC and the banking industry face in the current economic environment, we have given careful thought to the proposal. We hope that you will give serious consideration to our comments and find them helpful in making revisions to the final rule which will serve the needs to bolster the Deposit Insurance Fund, while minimizing the financial impact to banks as we work hard to remain well capitalized and liquid.

Confronted with only the two options of another special assessment or prepayment of our quarterly risk based assessments, we favor the prepaid assessment approach since it has a reduced impact on our capital position. However, we are greatly concerned about the significant reduction in liquidity that will result from either method of raising funds for the DIF. We encourage the FDIC to pursue other alternatives, including issuing bonds to the industry similar to the proven FICO process used to address the S&L crisis.

Specific to our situation, we find that the proposed methodology to calculate the assessment amount against deposit balances is more favorable than the methodology used for the prior special assessment (assets less tier I capital). However, we would prefer to see an approach that more fairly distributes the cost based on overall risk, using both the overall size and asset quality of the bank. After all, it is bad loans – not bad deposits – that result in bank failures and costs to the DIF.

Finally, we find that the proposed growth rate of 5% is not realistic. For 2010 and 2011 combined, we project an average deposit growth rate of 3.8% or less. Charging a growth rate in excess of actual growth will unnecessarily penalize banks. This penalty is compounded by the fact that we are losing the income opportunity from otherwise investing those funds. A growth rate that is calculated and/or adjusted based on actual performance at the individual institution level would be more sound, and could be accomplished fairly easily by using call report information.

Again, thank you for the opportunity to provide our input on the proposed rule. We support the FDIC's efforts to maintain a healthy DIF and realize each bank will have to contribute its fair share. We remain confident the FDIC will take every measure to insure that banks which have worked hard to maintain a well capitalized position are not adversely impacted by the process.

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