From: Dennis Ammann [mailto:dammann@peoplesbank-ms.com]
Sent: Monday, March 30, 2009 1:58 PM
To: Comments
Subject: Opposition to Assessments, RIN 3064-AD35: Proposed FDIC Special Assessment pursuant to 12 CFR Part 327

March 30, 2009

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

With Copies to:
Senator Thad Cochran
Senator Roger Wicker
Representative Gregg Harper
Representative Bennie G. Thompson
Representative Travis Childers
Representative Gene Taylor

RE: **Opposition to Assessments, RIN 3064–AD35: Proposed FDIC Special Assessment pursuant to 12 CFR Part 327**

Dear Sirs:

I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points in the second quarter. I have serious concerns about this proposal, but first wanted to emphasize that I fully support the view of the FDIC that we need a strong, financial secure fund in order to maintain the confidence depositors have in the system. However, how this is done is very important to my bank and my community.

We are a $175Million bank located in Mendenhall, Mississippi. We also have offices in Puckett, Magee, and Collins. We employ approximately 63 people in all our markets. The special assessment is a significant and unexpected cost to my bank that will significantly reduce earnings. This special assessment will cost my bank about $300,000! We are already dealing with a deepening recession and a significant increase in regular quarterly FDIC premiums.

Banks like mine that never made a subprime loan and have served our communities in a responsible way for years and years are being unfairly penalized. The fact that this assessment is based on deposits disproportionately affects community banks. Deposits make up approximately 85% of my total assets, while they only make up approximately 65% of the assets of Bank of America. The cost of this assessment to Bank of America is considerable less to them, as a percentage of their assets.

The special assessment is completely at odds with my bank's efforts to help my community rebuild from this economic downturn. The cost is so high that it is a disincentive to raise new deposits, and this additional expense will be passed on to the consumer as lower interest rates. Fewer deposits will hinder our ability to lend. Additionally, this reduction in earnings will make it harder to build capital when it is needed the most.

We will also be forced to look at ways to lower the cost of other expenses, which may limit our ability to sponsor community activities or make charitable donations – something that we have done year after year.

Given the impact that the proposed assessment will have on my bank and my community, I strongly urge you to consider alternatives that would reduce our burden and provide the FDIC the funding its needs in the short term.

The primary alternative to this unfair special assessment should be:

- A systemic-risk premium for the large, "systemically important" banks. This premium should be large enough to pay for the substantial risk of insuring these institutions. Also urge the FDIC to consider the assistance provided systemically important institutions in determining the special assessment.

In the absence of this, I urge you to consider other funding options, such as;

- Base the assessment (and all FDIC assessments) on Asset size, rather than deposits. Using this measure more accurately reflects the risk each institution represents to the Deposit Insurance Fund.
- Utilize the risk-based premium system that is used for annual assessments on any special assessments. If this system is good enough for the ongoing assessments, why is it not being utilized on any special assessments?
- Reduce the special assessment and spread the cost of it over a long period of time. The FDIC should spread out the recapitalization of the fund over a longer timeframe as well;
- Use the FDIC's borrowing authority with Treasury if the fund needs resources in the short-run. This is the purpose of this fund and it remains an obligation of the banking industry. Moreover, it allows any cost to be spread over a long period of time; and
- Use the revenue that the FDIC is collecting from the Temporary Liquidity Guarantee Program. There is considerable revenue from those banks that are issuing guaranteed debt to help support the FDIC at this critical time.

Making these modifications will ensure that the fund remains secure and will allow my bank to continue to lend in our community. I urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

Thank You for your time –

Dennis Ammann, EVP
Peoples Bank
Mendenhall, MS