From: Shannon Osterman [mailto:sosterman@beltvalleybank.com]
Sent: Thursday, October 29, 2009 12:37 PM
To: Comments
Subject: Prepaid Assessments: RIN 3064-AD49

To Whom It May Concern:

I very much appreciate the allowance of this comment and I want to also thank you for showing us that these comments do make a difference as we saw with the special assessment last quarter.

I have been employed for a small-town community bank located in North-Central Montana for 8 years now and have seen our budget for the FDIC Insurance during this time frame go from an estimated $6,000 in 2002 to $40,000 for 2009. We have been fairly close to budget, if not under, until this year when all was blown completely out of the sky. Most everyone is aware of the "Domino Effect" that got us here. Now, how do we get out of this "financial crises" that has been created? Do the smaller, not to mention, well-capitalized community banks deserve to be the ones to pick up the pieces. I do believe that we must provide our "fair" share, but let's be fair.

It is to my understanding that of the 130 and climbing bank failures to date, a majority of them generally involve much smaller banks having assets of less than $1 billion. This is serious business to me. Our bank is in this category! Please help us to stay off of your list!

There hasn't been a week go by for over the last year that a new law, a new regulation or a new proposal runs across our desks. A majority, if not all, of these laws & regulations are focusing on the same thing that only a community bank seems to have on its mind – ITS CUSTOMER – the CONSUMER! The extreme extent of these laws/regulations is, in my personal opinion, only caused from nothing but – LARGE BANKS where their customers seem to mean nothing but money and their bottom line. These bigger banks have caused the mistreatment and neglect to the consumer that lead to the creation of what we're getting slapped for today - rules and regulations and the tying of our hands when it comes to taking care of our customers. Community banks takes great pride in their reputations and following consumer protection laws. Why don't the big banks live by what they have created? What does a violation mean to them - a "slap of their hands." They can afford the fines and penalties – it's minimal to them. Bet you can guess who the first three banks were to *immediately* decide to "change their ways" when Congress recently announced a "promise to crackdown on overdraft fees, using words like "criminal" and "rip-off" to describe the practice of letting people overspend and then charging them fees without warning. Those three banks must have a guilty conscience because I am sure the announcement wasn't a direct address to them. Should've been, in my opinion.

I apologize to you for venting for a moment. I want you to clearly see where I am going – my bottom line. The focus is the protection of the consumer, more awareness for the consumer, in-depth disclosures for the consumer, more help and guidance for the consumer. This seems to be the overall concern of our government. THE CONSUMER. So tell me, how are we, smaller community banks, supposed to help the consumer if we are assessed more than our "fair" share of this prepayment plan? With delinquency rates and losses at all-time highs, how can we be expected to prepay 3 years up front and still have the customer top priority as they have been for over 70 years in our bank? We can't turn around and assess our customers 3 years worth of interest, fees, etc. Our bottom line IS the customer – take care of them and everything else will fall into place.

I just want to assure that we are still around after helping support the funding of the failed institutions, so to address some of your questions below:

1. As an alternative to prepaid assessments, should the FDIC meet its liquidity needs by imposing one or more special assessments? No – Issuing a special assessment, unless issued in current year and payable in following year, cannot be accounted for in the budget which results in cutting planned costs elsewhere. (For example: the implementation of new products and services that the customers want) This is not beneficial to our bank when budgets are over by large dollar amounts. Not to mention the severe stress that the industry is already in and with the unknown future of it, we face even more potential losses.

2. Should the FDIC pursue one or more of the other alternatives to the prepaid assessments, such as borrowing from Treasury or the FFB? Aren't you borrowing (technically) from those of us that you insure at a 0.00% rate? Why add more expense? **Unless, of course, you would like to pay us interest as we're not earning much right now anyway. ☺**

3. Should prepaying assessments be voluntary rather than mandatory as currently contemplated, and, if so, how would the FDIC ensure that it receives sufficient cash to fund resolutions of failed insured depository institutions? (If prepayment of assessments were optional, the FDIC believes that it would affect the accounting treatment as a prepaid expense.) No – All insured depository institutions need to pay their fair share. However, the current proposal is not fair when smaller banks face the same penalties as the larger.

4. For purposes of calculating the prepaid assessment, should the FDIC estimate the growth in the assessment base at a rate other than 5 percent for 2009, 2010, 2011 and 2012? Should the FDIC use different assessment rate assumptions than those proposed? Yes –
    1. First, the assessment base used for the prepayment calculation should be the same assessment base that was used for the second quarter special assessment - total assets minus its Tier 1 capital. This may just assist with a result that is fairer with the larger banks paying a share that is proportional to their size rather than their share of domestic deposits. That means a slightly higher assessment base for us at this time, but I believe this would provide a better reflection of an institution's risk to the DIF than the amount of a bank's deposits.
    2. Secondly, One way is to base the growth rate is on the individual growth history. Calculations for Allowance for Loan and Reserve Losses are based this way. I would propose a 5-year history throwing out the low and the high and using the remaining 3-year average. Our growth rate for the period of June 2008 to June 2009 was at a rate of 3.84%. I don't have

2004 through 2007 figures in front of me but lets improvise for this example. June 2007 to June 2008 was 14.72% (promotional 1-time only product offered to lower Loan to Deposit Ratio); June 2006 to June 2007 6.92%; June 2005 to June 2006 7.02% and June 2004 to June 2005 2.98%. Throwing out the highest and lowest and dividing by 3 = average rate of 5.93%. In this example you would exceed your 5% threshold, but be cautious as you will more than likely have many that will be below the threshold of the 5%. This is a fair assessment and possibly reduces the amount that may need to be paid back, which by the way, and an earlier payback would be nice.

5. As proposed, the FDIC would require prepayment of estimated assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 based on its current liquidity needs projections. Should the FDIC require prepayment of estimated assessments over a different period or in installments? Yes – You stated in this question "based on its current liquidity needs projections" therefore, you are allotted to project *your* needs, can you understand this need for projections is very important for us also. 2009 already had a "special assessment" that was not projected in November / December 2008 for 2009 therefore already throwing budgets over in this area. We are trying to cover the cost of the payment we just made in September. This 3 year proposal will cost our bank $300,000. This is not "pocket change" like it may be for the large banks. We don't mind paying our fair share in fair time. Maybe pay all 2010 in December 2009. One year won't hurt as bad, but it will still hurt. Pay 2011 by June 2010. This will at-least allow us to budget for a portion of this expense. See what is still needed no later than 3rd quarter 2011 for 2012. You may be able to even offer an asset-based payment schedule on how you are going to require banks to pay this based on the numerous comments you have received providing different views.

Thank you for the opportunity to comment on the FDIC's prepaid assessment proposal. And thank you again for listening to the comments you receive.

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