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VIC SMITH, JR.
Vice-President/CFO

Robert Feldman
Executive Secretary – FDIC
550 17th Street, NW
Washington, D.C. 20429

Mr. Feldman,

I am writing to you to express some concerns about the recent FDIC proposal for banks to pre-pay their estimated quarterly assessments on December 30, 2009 for the next three years.
While I generally support this proposal I do have some concerns:

1) I do feel that the FDIC should consider changing the assessment base to total assets minus Tier 1 capital as was done for the special assessment earlier this year. This broader assessment base would more evenly distribute the cost according to institution size rather than the amount of domestic deposits held. Additionally, it seems that even though it is the deposits that are being insured it is the strength or quality of the assets (or lack thereof) of an institution that would cause it to fail rather than the deposit base.
2) Assuming that the assessment base is not changed, the prescribed estimation of five percent growth per year in the deposit base for purposes of the pre-payment may seem somewhat unreasonable. If the assessment continues to be based on domestic deposits then any shortages in the pre-payment could be adjusted and billed quarterly after call reports are filed.
3) The FDIC should consider allowing a discount to the institutions that pre-pay the assessment to all something for the value of the loss of earnings on the amount of the prepaid assessment. If these funds were held in the institutions they would generally be held in some earning capacity, at a minimum in Fed Funds, where the institution would have some earnings.

Thank you for your time and consideration in this matter.

Vic Smith Jr.

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October 22, 2009