Franklin Federal
SAVINGS AND LOAN

INNSBROOK CORPORATE CENTER
4501 COX ROAD
GLEN ALLEN, VIRGINIA

DIRECT DIAL (804) 967-7021
FAX (804) 967-0586

POST OFFICE BOX 5310
GLEN ALLEN, VIRGINIA 23058-5310

WILLIAM E. W. FRAYSER, JR.
Senior Vice President

March 16, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW, Room #F-1058
Washington, DC 20429-0002

Re: RIN 3064-AD35, Proposed FDIC Special Assessment, pursuant to 12 CFR Part 327

Dear Mr. Feldman,

We 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.

Franklin Federal Savings and Loan Association (the "Association") is a federally chartered capital stock savings and loan association with just over $1 billion in assets that has been in business for over 75 years, promoting responsible savings and providing residential mortgages, construction and land development loans, construction-permanent loans, commercial real estate loans, and other investment property loans primarily in the greater Richmond metropolitan area. The Association is a wholly-owned subsidiary of Franklin Financial Corporation MHC, a federally chartered mutual savings and loan holding company.

We have serious concerns about the FDIC's special assessment proposal, but first wanted to emphasize that we fully support the view of the FDIC that we need a strong, secure financial fund in order to maintain the confidence depositors have in the system. However, how this is done is very important to us and to our community.

The special assessment is a significant and unexpected cost to us that will significantly reduce earnings. Given our current level of earnings, this assessment would amount to nearly two months worth of net income. We feel that this price is much too steep and is crippling to smaller banks who did nothing to contribute to the current financial crisis.

We are already dealing with a deepening recession, accounting rules that overstate economic losses and unfairly reduce capital, regulatory pressure to classify assets that continue to perform, and a significant increase in regular quarterly FDIC premiums. Each of these is a big challenge on its own – but collectively, they are overwhelming.

Banks like ours that never made a subprime loan and have served our communities in a responsible way for years are being unfairly penalized. The special assessment is completely at odds with our efforts to help our community rebuild from this economic downturn. The reduction in earnings that would result from the assessment will make it harder to build capital when it is needed the most to absorb investment losses and fortify us against potential future loan losses.

The cost is so high that it is a disincentive to raise new deposits, which could include taking deposits held in other financial institutions that are struggling for survival and whose ultimate failure would result in a large hit on the FDIC's deposit insurance fund. Additionally, fewer deposits will hinder our ability to lend.

We will also be forced to look at ways to lower other expenses, which would not only limit our ability to sponsor community activities or make charitable donations – something that we have done year after year – but would also put us under pressure to cut personnel expense and other expenses, which would contribute to the country's dire employment situation.

The implications for this significant FDIC charge will adversely affect our community. It is patently unfair and harmful to burden a healthy bank like ours that is best positioned to help the economy recover.

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

We urge you to consider these possibilities as alternative to the 20 basis point assessment:

- Continue your effort to gain Congressional approval to increase the FDIC's line of credit for losses from $30 billion to $100 billion. I appreciate the FDIC's assertion that accomplishing this objective could reduce the special assessment to 10 basis points.

- Understanding that the banking industry remains fully responsible for restoring the DIF to a 1.15 ratio over time, please consider using the line of credit – once the increase has been approved – in lieu of a special assessment.

- 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 a convertible debt option, whereby the FDIC could convert debt borrowed from the banking industry into capital to offset losses if it needs the funds. This would allow us to incur the expense only when the funds are actually needed;

- 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; and

- Use funds already marked for support of the financial system by way of the Troubled Asset Relief Program to help bolster the FDIC's fund.

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

Yours truly,

William E.W. Frayser, Jr.

William E.W. Frayser, Jr.
Senior Vice President