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March 6, 2009

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street
Washington, D.C. 20429

Attention: Comments RIN 3064-AD35

Dear Mr. Feldman:

I appreciate the opportunity to comment on the FDIC's interim rule that would impose a 20 basis point emergency special assessment on the banking industry.

The insurance fund plays a very vital role in the banking system. I would like to acknowledge the fact that I think we need to maintain a strong and viable insurance fund in order to maintain the confidence of all depositors and for the future success of the industry. The insurance fund has historically been able to withstand many tests over time as a result of losses related to failed banking institutions. The current situation is not unlike periods in the past where the reserve level of the insurance fund has been significantly depleted due to banking institutions that have failed. I certainly agree that action needs to be taken to remedy this situation.

I am deeply concerned about the impact of the proposed special assessment. The banking industry has had to deal with a number of significant issues in connection with a deepening recession. Specifically, banks across the country have had to deal with a slow down in the housing market, declining home values, a rise in delinquencies and foreclosures, an increase in the volume of classified assets as well as loan loss reserves, rising unemployment and increased pressure on profitability. In addition, all banks will have to deal with a significant increase in the FDIC insurance premium. Each of these areas presents a serious challenge to all financial institutions. For some institutions the collective impact of these factors has proven to be too much and has resulted in bank failures.

The impact of the numerous bank failures has taken its toll on the insurance fund. However, to a large degree many of the bank failures were prompted by unsafe and unsound banking practices. I believe that the magnitude of subprime lending was the catalyst that caused many banks to fail and has been largely responsible for the depletion of the insurance fund.

Many community banks never made a subprime loan and are being unfairly penalized by this special assessment. I believe for the most part the banks that remain today have served their communities in a responsible manner for many years and should not be held responsible for recapitalizing the insurance fund. The special assessment as it is currently proposed will have serious repercussions throughout the banking industry. This assessment comes at a time when banks have been asked to make loans in their respective markets and help communities rebuild from the economic downturn. The special assessment circumvents the positive steps banks are trying to make. Moreover, the proposed assessment will have an impact on growth and earnings for all banks. The increased cost associated with the special assessment will actually serve as a disincentive to grow deposits and negatively impact earnings. The impact on deposit growth will also have a negative affect on lending. Likewise, the lower earnings will negatively impact capital at a time when it is needed the most. As a result of this proposal, most FDIC insured institutions will be forced to look for ways to reduce expenses, which will ultimately impact customers, employees and communities.

Given the impact of the proposed special assessment on the banking industry and communities across the country, I strongly urge you to consider a more equitable alternative that would remove the burden to banks and provide the FDIC the funds it needs to raise the reserve ratio of the insurance fund to its statutory requirement. As an initial step, I would suggest the FDIC use its borrowing capacity with the Treasury if the insurance fund needs resources in the short run. This is the purpose of the fund and it remains an obligation of the banking industry. It also allows any cost to be spread over a long period time. I would also suggest that the FDIC request that the borrowing capacity with the Treasury be increased in order to handle a greater portion of the insurance fund deficit. Depending upon the amount of the increased line with the Treasury, the special assessment could be significantly reduced or no longer be needed.

The other alternative would be to use a long term convertible debt option, whereby funds could be raised to offset losses now or in the future. The bonds would be payable over an extended period of time and the FDIC premiums would be used to retire the bonds. This would mitigate the magnitude of the assessment and spread the impact over a longer period of time.

Your consideration of these alternatives will ensure that the fund remains strong and secure and will allow banks to continue their efforts of serving their communities. Please consider these suggestions when the Board meets in April to finalize the special assessment rule.

Sincerely,

Mark A Pruitt

Mark A. Pruitt

cc: Senator Sam Brownback
Senator Pat Roberts
Representative Dennis Moore