

BANK OF 
HOLLAND
A better way to bank.SM

March 11, 2009

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

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

Dear Mr. Feldman:

This letter is submitted in response to the interim rulemaking published in the March 4, 2009 Federal Register referenced above.

This interim rule established a special assessment of 20 basis points in the second quarter. It is asserted that this increase is necessary to keep the deposit insurance fund balance from reaching zero.

The Bank of Holland can appreciate the necessity of maintaining a strong deposit insurance system. However, a 20 basis point increase will have a significant negative impact on profitability and capitalization at a point in time when community banks are most critical in the delivery of financial services to an ailing economy. This assessment will cost in excess of 50% of our bottom line profit. The resulting reduction in earnings will make it more difficult to build capital. This translates into fewer dollars to loan which will impair our ability to help foster economic recovery in our local community and will further exacerbate the current economic downturn.

It is crystal clear that there is a tremendous unfairness in targeting banks that have in no way contributed to the current economic collapse being experienced by some major financial institutions, which are too big to fail. Troubled institutions are able to use TARP Funds to pay any increased assessments, but community banks such as the Bank of Holland are ultimately going to pay by increasing costs to our customers.

This increase is particularly crippling at a time when there is a heightened loan demand. Loss of capital based on the payment of increased premiums is exactly the wrong direction to head when there is a need for funding.

To reverse the disproportionate burden the assessment as proposed creates. The FDIC needs to consider a range of options including:

- the assessment should be based on bank assets not solely domestic deposits;
- a systemic minimum should be applied to large banks with assets in excess of \$20 billion;
- the time frame for the assessment should be increased from 7 years and spread over a much longer period of time;
- troubled assets which the FDIC has should be sold to an aggregator bank;
- use the FDIC's borrowing authority with treasury to provide additional funding while spreading the cost of the insurance out over a longer period of time;
- establish a special assessment, that would sunset in 3 years, in the form of a prepaid asset funded up front by the banks. Allow the banks to expense the prepaid asset over a period of 7 years.

Action on this interim rule should be held in abeyance pending either a significant revision of the assessment or action on legislation to Congress, which would expand the FDIC's line of credit with the treasury. Please take these comments under consideration.

Sincerely,



Mark L. Luderman
President