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Robert E. Feldman, Executive Secretary,
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429

RE: RIN 3064–AD35
Comment Letter on FDIC's Proposed Emergency Special Assessment

Dear Mr. Feldman:

The following comment letter is submitted on behalf of QCR Holdings, Inc. (QCRH), concerning the FDIC's interim rule for a special assessment on all banks and thrifts in order to recapitalize the Deposit Insurance Fund (DIF). QCRH is a publicly-traded, three-bank holding company. One of these three banks does business with downstream banks in a correspondent bank arrangement. We have feedback on these issues from our perspective and as one that deals with other banks in a downstream banking relationship.

We understand the difficulty the FDIC is dealing with in these extraordinary times, especially as we see a number of banks failing, and many more to likely come in this environment. We respectfully submit this comment for your consideration prior to final implementation of the rules for this special assessment.

We are strongly against the special assessment, especially one of this size. We see the following issues:

1. A special assessment will decimate earnings for many banks in 2009. Many banks cannot absorb a special assessment of the magnitude proposed. This results in a spiral effect. For example, we have been approached by a smaller bank for a bank stock loan. This new assessment will nearly wipe out all of their earnings. The loan would probably be an immediate criticized asset, increasing our total criticized assets. We would most likely not consider funding this loan. This undermines the purpose of everything that the government has been trying to do over the last six or more months in trying to encourage interbank lending.
2. A special assessment's drain on earnings and capital at this time, when the economy needs banks to be making more loans, is self-defeating. Funds paid to the FDIC cannot be leveraged to support new lending and in fact will reduce lending. This is totally counterproductive to the government's efforts to encourage more lending.
3. Our bank has been taking aggressive steps to reduce expenses in order to ensure that we remain strongly capitalized. A special assessment would offset these efforts, and more.

We recommend the following alternatives for your consideration:

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1. Use the FDIC's $30 billion line of credit with the Treasury. This is for use by the FDIC in extraordinary situations, which seems appropriate at this time. This credit line is meant to serve as a "bridge" if the DIF becomes too low. It should be allowed to serve that purpose first. If additional funds are still needed, then the industry could be called upon to replenish the fund. Many banks are already overly burdened, and earnings are showing it. We believe it does not make sense to unnecessarily further deplete the banking industry's earnings and capital base by in increasing the premium payments. In addition, we recommend that the FDIC continue seeking an increase to its credit line with Treasury.
2. We urge you to explore the possibility of borrowing from the industry in the form of convertible debt. Please consider the same concept that was used during the savings and loan crisis, when the insurance funds were strengthened through the use of FICO bonds.

Thank you for allowing us the opportunity to comment on this important matter.

Sincerely,

Douglas M. Hultquist
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