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March 11, 2009

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

Dear Mr. Feldman,

Subject: Assessments RIN 3064-AD35

My bank wishes to comment on the recent announcement of a 20 basis point special assessment and the subsequent announcement of a potential reduction to 10 basis points. We understand the need to replenish the Deposit Insurance Fund given the strain of the recent banking crisis. These are challenging times in banking and throughout our entire economy.

KleinBank has been family owned since 1907. We are truly a local bank serving our communities in the Minneapolis suburbs and western Minnesota. Like most community banks, we did not stretch for earnings and growth and have "weathered this storm" fairly well. The economic downturn has depressed our earnings, but we can still meet our communities' banking needs and are not overwhelmed with internal loan problems.

Our FDIC assessments have risen from $123,000 in 2007 to $589,000 in 2008, a 309% increase. Before the proposed special assessments, we estimated our 2009 assessments to be approximately $1,800,000, approximately 16 basis points on our deposits, a 206% increase over 2008, and 8.8% of our 2008 net income. The special assessment would additionally cost us approximately $2.4 million if 20 basis points and $1.2 million if 10 basis points.

During this banking challenge, earnings and capital are critical to the survival of the system and individual banks. Weak banks that should be able to survive otherwise will be hard pressed to afford the special assessment on top of an increased regular assessment. Even healthy community banks, like KleinBank, will be hurt and may be forced to reduce employees, trim local community support, restrict deposit growth to reduce our assessment, and limit lending activities to preserve capital, none of which help our country recover from this recession.

The banking sector endured a similar crisis in the 1980s and 1990s, but the assessments, while raised, were spread over several years. The banks regained their financial strength and the government recouped the funds advanced. A similar approach would be beneficial and would allow community banks to better assist their communities to recover from the present economic difficulties, even if that required accessing the FDIC's borrowing line with Treasury. Alternatively, fees collected by the FDIC for the Temporary Liquidity Guarantee Program, often used by large banks, could be used to reduce the need for the special assessment.

Most community banks on Main Street are performing reasonably well during the present turmoil while much the exposure and losses seem to be concentrated in the mega-banks or Wall Street. While we have and will support the financial system and deposit insurance, the cost to the small banks seemed to be disproportional to their risk to the system. The banks posing systemic risk should pay a much higher rate or not be allowed to grow to be such a risk. Additionally, community banks fund much of their activity with stable, local deposits which generally limits their asset growth. The large banks generate more risk but rely less on deposits. Rather than assessing based on deposits, perhaps assessing on total assets would be more equitable. Additionally, systemic risk should be a separate factor in arriving at a bank's assessment.

The loss of bank capital at this critical time has been acerbated by the mark-to-market accounting rules at a time when there is no market for many securities and loans. If a loss truly exists due to a credit issue, it should be recognized. When an entire market dries up, the resulting loss of capital is unnecessary. A simple example is a home that is listed for sale at a price comparable to other similar houses in the area. Given the state of the economy and housing market, no offer is received. Mark-to-market would conclude the value is zero. While we know that conclusion is flawed, present day accounting rules force us to use such poor logic on assets not intended to be sold. Congress and the regulators should address this as part of the overall solution.

Banks, such as KleinBank, have been the backbone to our economic system in each community across America. We will rise up to meet this challenge, however we need our regulators and government to consider how we can best simultaneously help our communities recover from the recession and replenish the Deposit Insurance Fund. After a hurricane, insurance rates do not rise to immediately recover the insurance carrier's losses all in one year; premiums are adjusted to reflect the risk over several years. Similarly, our regular assessments should increase, but catastrophic increases, such as the proposed one-time assessment, need to be spread over several years.

Sincerely,

Ronald W. Seib
Chief Financial Officer
KleinBank

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cc:
Senator Amy Klobuchar
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