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March 9, 2009

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

RE: "Assessments, RIN 3064-AD35"

Dear Mr. Feldman:

I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment in the second quarter of 2009.

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

I am part of a family owned community bank that was established in 1899. We survived the Depression of the 30's (in fact, we were one of only a few S.W. Iowa banks that was never closed during that time), the agricultural crisis in the 80's, the S & L crisis, and we will survive this current Wall Street crisis.

We survived all these financial debacles because of our strong capital and prudent banking practices, yet we watched with dismay over the years as the federal government bailed out the Farm Credit System and the Savings and Loan industry. We paid huge premiums to the FDIC back in the 1980's in order to replenish the fund and we are still paying on the FICO bonds which bailed out the thrift industry. We watched as the BIF and SAIF were combined into the DIF only to see Indy Mac drain it. We watched as Gramm-Leach Bliley allowed the investment banks and insurance companies to dilute the fund by rolling hundreds of millions of dollars of liabilities into FDIC insured banks. And now we are watching as GMAC pays above market rates for FDIC insured deposits as the government fills their engines with more capital. All this, in addition to the fact that Citigroup has now received three infusions of close to $50 billion from the Treasury simply because they are "TBTF" or the "systemic risk" to the economy is too great to allow them to fail. Meanwhile our community bank along with thousands more in this country are being disproportionately required to save the FDIC fund, again, because of the sins of others.

In general, community banks didn't participate in the risky practices that led the economic crisis, yet they are being penalized by having to pay this onerous special assessment on top of regular assessments. The community banking industry is the bright spot in this current economic storm. The vast majority of community banks are well-capitalized, common-sense lenders that have been and want to continue to help in the economic recovery process in cities and towns throughout America. This special assessment will only hinder their ability to do so.

Deposits don't cause banks to fail, bad assets do. Yet the largest banks don't pay assessments on a huge percentage of their asset base since they fund them with borrowed funds, corporate debt, and off-balance sheet liabilities. You will not be surprised to hear that we are fed up with these inequities and quite simply mad about the entire situation.

Last year our $100 million bank paid about $15,000 in FDIC premiums which included the last of our assessment "credits." In 2009, with the new regular assessment and the proposed one time assessment our FDIC premiums could exceed $300,000.00. These additional assessments will represent 30% - 50% of our net income in 2009.

This assessment will also force us to look at ways to lower other expenses, which may limit our ability to sponsor community activities or make charitable donations—something we have done year after year.

The implications for this significant FDIC charge will negatively impact our community. It is unfair and harmful to burden a healthy bank like ours when we are positioned to help the economy recover.

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

I urge you to consider more reasonable funding options, such as:

- There should be an additional systemic-risk premium for the large banks, in particular the "TBTF" banks. The additional premium should be enough to pay for the substantial risk of insuring these institutions. I also urge you to consider the assistance already provided systemically important institutions in determining the special assessment. This, in effect, should considerably lower the assessment to community banks like ours that did not cause this mess.

- The special assessment should be based on total assets (minus tangible capital), not total domestic deposits, so that the larger banks that caused the problems pay a bigger share.

- Reduce the special assessment to community banks and amortize the cost over a longer period of time.

- Use the FDIC's borrowing authority with Treasury if the fund needs resources in the short-run. This is the purpose of this fund and it remains an obligation of the banking industry. Additionally, it allows any cost to spread over a long period of time.

In closing, I suggest you explore all alternatives for funding the DIF in lieu of the special assessment. There are other alternatives including issuing debt instruments to the public or using your authority to borrow from the banking industry. Our bank would consider making you a loan if you provided us with strong collateral and guarantees. After all, that's what prudent lending requires. I urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

If you have any questions, please don't hesitate to contact me.

Sincerely,

Larry Winum,
President
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