March 9, 2009

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

Dear Mr. Feldman

I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points in the second quarter. While the proposed 10 basis point reduction is a positive step, at this time <u>any</u> increase would be detrimental to the health of our bank and the industry overall. I have serious concerns about this proposal.

The special assessment is a significant and unexpected cost to my bank that will devastate earnings. We are already dealing with a deepening recession, accounting rules that overstate economic losses and unfairly reduce capital, regulatory pressure to classify assets that continue to perform, and a significant increase in regular quarterly FDIC premiums. Each of these is a big challenge on its own – but collectively, they are a nightmare. Banks like mine that never made a subprime loan and have served our communities in a responsible way for years are being unfairly penalized.

The special assessment is completely at odds with my bank's efforts to help my community rebuild from this economic downturn. The reduction in earnings will make it harder to build capital when it is needed the most. We will also be forced to look at ways to lower the cost of other expenses, which may limit our ability to sponsor community activities or make charitable donations – something that we have done year after year.

The implications for this significant FDIC charge will impact every corner of my community. It is patently unfair and harmful to burden a healthy bank like mine that is best positioned to help the economy recover. Given the impact that the proposed assessment will have on my bank and my 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:

- Reduce the special assessment and spread the cost of it over a long period of time. The FDIC should spread out the recapitalization of the fund over a longer timeframe as well.
- Use a convertible debt options, whereby the FDIC could convert debt borrowed from the banking industry into capital to offset losses if it needs the funds. This would allow me to write off the expense only when the funds are actually needed.

- Use the FDIC's borrowing authority with the 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. Moreover, it allows any cost to be spread over a long period of time.
- Use the revenue that the FDIC is collecting from the Temporary Liquidity Guarantee Program. There is considerable revenue from those banks that are issuing guaranteed debt to help support the FDIC at this critical time.

Making these modifications will ensure that the fund remains secure and will allow my bank to continue to lend in our community. I urge you to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

Sincerely,

Kyle Savage

Kyle Savage
Board of Directors
Mountain Valley Community Bank