



Community Bank

RAYMORE • PECULIAR

March 16, 2009

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

Re: Assessments, RIN 3064-AD35

Dear Mr. Feldman:

I am responding to the Federal Deposit Insurance Corporation's (FDIC) interim rule imposing a 20 basis point emergency special assessment on all domestic deposits as of June 30, 2009. The special assessment will be in addition to the regular assessment for 2009, which more than doubled from last year, and possible subsequent assessments of up to ten basis points each quarter thereafter.

Although the FDIC stated that it could reduce the special assessment from 20 basis points to 10 basis points if Congress passes legislation increasing the borrowing authority of the FDIC, a 10 basis point assessment remains a staggering burden for most community banks.

The vast majority of community banks are well-capitalized and continue to lend to small businesses and customers in their local communities, stimulating economic growth throughout our nation. However, an onerous special assessment, in addition to increased regular assessments, would negatively impact earnings and capital, substantially limiting community banks' ability to continue to lend and, exacerbating the current economic downturn.

I support maintaining a sound deposit insurance fund; however, the special assessment unfairly and disproportionately affects community banks. Community banks follow traditional banking principles and did not contribute to the economic crisis. Yet they must pay an extraordinary fee to subsidize the large, "systemically important" banks that destabilized our economy with their risky practices.

I strongly urge the FDIC to explore all alternatives for funding the Deposit Insurance Fund (DIF) in lieu of a special assessment including using its existing authority to borrow from the Treasury, issuing debt instruments to the public, or using its authority to borrow from the banking industry. For instance, borrowing from the Treasury would allow the DIF to remain industry-funded, yet would give the industry additional time to recapitalize the fund.

If the FDIC determines a special assessment is required, I believe that the special assessment should be based on total assets (minus tangible capital), which is more indicative of risk, rather than total domestic deposits. It is estimated that an assessment of 12 cents per \$100 of assets could generate the same revenue for the DIF as an assessment of 20 cents per \$100 of deposits. Since large banks hold a proportionately larger share of total banking assets, large banks should shoulder more of their fair share of the special assessment.

Moreover, I support a systemic-risk premium for large banks. The additional premiums necessary to restore the DIF should be assumed primarily by the institutions with the greatest risk to the fund. I note also that the "too big to fail" institutions have received billions of dollars in taxpayer assistance that defray the special assessment. This assistance to "systemically important" institutions should be taken into account in determining any special assessment.

To further reduce the negative effects of a special assessment, the accounting rules should be changed so that banks can amortize the special assessment over a period of years. This would be particularly beneficial if additional emergency assessments are imposed.

In conclusion, I urge the FDIC to carefully explore all alternatives to funding the DIF other than imposing a special assessment. If a special assessment has to be imposed, I urge the FDIC to change its assessment base by using total assets (minus tangible capital) in lieu of total deposits, charging a systemic risk premium, and allowing institutions to amortize the premium over a period of years. Community banks should not be penalized for their prudent lending practices and be forced to take money out of their communities through a special assessment.

Sincerely,



William R. McDaniel
Chairman