From: Brett Legg [mailto:blegg@yourfriendlybank.com]
Sent: Thursday, March 05, 2009 1:51 PM
To: Comments
Subject: Special Assessment

Dear Chairman Bair,

I am in receipt of your letter to the bank CEO's of March 2, 2009. I completely understand the need to keep the FDIC fund solvent and am in support of temporary higher assessments while the fund rebuilds to statutory levels. However, I would like to express my concerns about how this is being done.

We are located in the most rural area of eastern Colorado. We also have a small branch in Colorado Springs, CO and one in Limon, CO. The facts are these. Because of the small population base and no growth in almost every market deposits are limited. The only way we can get enough funding to support needed lending in our communities is to use FHLB borrowings. My understanding is that along with higher assessment levels and special assessments, banks such as ours are going to be penalized for having too much secured borrowings.

It appears to me that the community and small-town banks that did not create the toxic asset problems are being treated just the same as those who did. Perhaps banks such as the ones that have been merged or kept on life-support did use these secured borrowings for the purpose of buying toxic assets to enrich traders. We use them to help the farmers, entrepreneurs and members of our communities to have access to credit so they can earn a living for their families. By having access to low cost funding from FHLB it allows us to pay higher CD rates to our loyal customers and still maintain our margins. Our CD customers tend to be older and retired. These folks count on the interest we pay to put food on the table. Just the announcement of the higher assessments two days ago have already forced us to lower the rates we pay to these elderly customers. They are not like people who lost their retirement in the stock market and have to work longer. The 80 year old couple this morning can't work. However when we renewed their CD rate by over 50% from last year they took a large cut in income. What you must understand is if you charge us these higher assessments, penalize us for using the sources available to keep our communities alive and hit us with a special assessment in the midst of the current economy you are forcing banks like us to do exactly the opposite of what we are told needs to be done to help our communities survive the deep recession.

We should lend more. We have a limited deposit market and now a limited ability to use FHLB borrowings because of the cost. The only way we can use less secured funding is to lend less. We should lend to the commercial real estate market that is completely frozen. While I agree the CRE was overbuilt in many areas, it was last summer when the lending stopped for almost any kind of CRE within the community banking sector. This was when small bank CEO's started talking about how they were being treated by regulators over their CRE portfolios. Virtually overnight, lending stopped. The people we served, small developers and builders found themselves completely cut off from credit. The large banks won't lend to them because they're too small for securitization and now the only source of credit available has dried up due to the mixed messages we are getting from Washington and the regulators in the field. They can carry their properties for only so long. Eventually much of it will end up on small bank's books as OREO. As non-earning assets.

This is my point. We have done extraordinary things as a nation to prop up reckless banks and the free falling economy. I believe that there must be other sources in the short-term for the FDIC to fund itself as we move through this hard time. I remember paying high assessments after the S&L crisis to rebuild the fund. That was after the crisis had passed and profitability had returned to our business. It was not viewed as a burden but simply as the cost of what we had all survived.

Those of us that did survive were very grateful that the FDIC had been there for us and did not mind doing our part to keep it strong. However, had the attempt been made to rebuild the fund during the five year period of 1987 to 1992 I believe thousands more banks would have failed than did. I believe the current actions may have the same consequences for many small banks that otherwise would survive.

I can tell you that when the small local bank fails in these small rural towns the community fails with them. I know from experience. I was raised in the small town of Eads, CO. Its local bank failed in 1985 amidst the farm crisis. The town has faded greatly from then to now. Population is about 2/3 of what it was. Many had to leave town looking for a new life because the opportunity faded with the bank. In the small towns once someone leaves they can seldom come back. I was one of those people.

I ask you to find another way in the short term to fund through this crisis. To do it on the back of banks not part of the problem and crippling them now so they won't be able to be part of the solution when we reach the other side borders on the unethical. We understand the need for strong regulation both financially and in enforcement. This bank and banker has always adhered to having the highest level of integrity with our examiners in the field as possible. I can give you names of examiners who have conducted safety & soundness exams in this bank and they will echo what I write. However, to do this makes no sense, common or otherwise. To do this only deepens the problem for our customers and communities. Let's work together for a pragmatic, common sense solution. Let's not weaken an already fragile system that may very well make the small banks go from wounded but strong to another statistic on the FDIC website on Friday evening.

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