PEOPLES BANK

RONALD E. ABBOTT
CHAIRMAN OF THE BOARD
CHIEF EXECUTIVE OFFICER

March 23, 2009

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

Re: Assessments, RIN 3064-AD35

Dear Mr. Feldman:

In response to the proposed FDIC special assessment, please be advised Peoples Bank is **opposed** (emphasis added) to said assessment and offers the following comments in no order of priority:

- To what extent are the federal regulators participating in this assessment? The federal regulators have played a key role in this banking failure. Are the federal regulators willing to admit their mistakes and take part in the rebuilding of the DIF? Community Bankers certainly had nothing to do with the fund losses. Any good community banker would have recognized these problems way before now. As a matter of fact, many of us wondered how much longer the big banks' liberal underwriting could continue before becoming a problem. If we are required to pay this assessment, then the federal regulators that helped create the problem should do the same.

- I can remember attending a bank conference in approximately 2000 held in Dallas, Texas. Comptroller of the Currency, John Hawke was the key note regulatory speaker. At the end of his speech, a banker from the audience asked why the big banks were allowed to operate with much lower capital ratios and very liberal underwriting standards. Comptroller Hawke's response was that big banks were sophisticated and had risk modeling systems in place and were better suited to handle lower capital ratios and had sufficient loan volumes to offset more liberal underwriting standards. I remember thinking to myself... what a foolish answer for a top bank regulator. He obviously did not grasp the reality of what was really happening within the big banks! Now, here we are today, and

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these same sophisticated big banks are insolvent and taking the US economy down with them and we are asked to bolster the FDIC Deposit Insurance Fund so they can enjoy deposit insurance while receiving billions of dollars from the US Treasury to prop up their capital ratios.

- I remember reading a transcript from a speech Comptroller of the Currency John Hawke made at a bank examiner conference. He stated that community banks cost more to regulate than they generate in fees. This spoke volumes to me as to how we are viewed by the regulators. We are expendable until the big fee paying banks need bailing out. This is further evidenced by the fact that a community bank that found itself in a similar situation would face immediate enforcement action, management downgrades or removal, institution rating downgrades, cease and desist action and/or closing without any hesitation by the regulators. Yet, we are being asked to be good regulatees and pay this large assessment. Where is the fairness?

- To avoid regulator lapses in the future, regulatory agencies should be funded by the US Treasury, not by assessments on banks. The method of funding regulatory agencies with regulatee assessments creates a profound conflict of interest. The largest institutions fund the largest portions of the federal agencies' budget, therefore big revenue generators get preferential treatment and the little community banks get the heavy hand. Serious regulatory agency reform is needed.

- Complex big banks and community banks are in two separate and distinct financial industries. Every bank in the US should have an opportunity to designate itself either a complex or a community bank. If a bank desires to branch across state lines, offer non-traditional bank products, invest in derivatives, sub-prime loans, have off balance sheet assets/liabilities, etc.....then it should be required to designate itself a complex bank with regulations designed for same and a separate deposit insurance fund. If a bank desires to stay within its state of domicile, support its communities with traditional bank products and refrain from exotic investments....then it should be required to designate itself a community bank and operate under regulation designed for same with a separate deposit insurance fund. If we are required to pay this assessment, then we should have the opportunity to designate and operate as described above so that in the future we are only held responsible for the fund in which we participate. Bifurcation of regulations and deposit insurance funds is essential to a healthy banking system.

  PS. – this would also solve the preemption issue. Complex banks could enjoy federal preemption while community banks (by new definition above would not be permitted to operate or export rates outside of their state of domicile) would not enjoy or need parity.

- Peoples Bank, like many community banks, have supported our local "Main Street" businesses and citizens for decades without becoming involved in exotic "Wall Street" financial practices and products. We should not be required to spend our capital to support the DIF so large banks that engaged in exotic products and created this systemic threat can continue to enjoy access to the FDIC.

- Taking capital from Peoples Bank to fund the DIF for the enjoyment of big banks will reduce the amount of capital we need to continue in our local lending and support of our communities.

- Since World War II, community banks have been the capital engine that drives "Main Street", which employs two thirds of our nation's work force. We have lived under a much heavier regulatory burden than the big banks. It is time we say enough is enough. We should not be required to pay this large assessment.

- To see commercial non-bank lenders, like GMAC, convert to banks so they can receive TARP bail out funds, now offering FDIC insured deposit products is a slap in the face of community banks who for years could not compete with the commercial non-bank lenders' liberal underwriting and rates. We should not be required to pay this assessment so that these types of commercial lenders can enjoy access to the FDIC.

- If we are ultimately required to pay this proposed assessment, any future premiums should be based on ALL deposits (no international deposit exemption) or all assets (including off balance sheet items).

Thank you for this opportunity to comment.

Respectfully submitted,

Ronald E. Abbott
Chairman & CEO

cc: Board of Directors
IBAT
IBAA