
From: Don Ellis [mailto:DEllis@patriotbankusa.com]
Sent: Thursday, March 05, 2009 12:43 PM
To: Bair, Sheila C.
Subject: Special FDIC Assessment Fee

Dear Ms Bair,

Please reconsider instituting and collecting the new 20 basis point fee assessment. The state or our national economy has placed the entire commercial banking industry in the worst condition seen since the great depression. **Commercial Bank earnings declined 84% during 2008** (Source: *FDIC Quarterly Review*), the largest decline in history, due to:

- abysmal asset quality driven by the collapse in real estate values; and
- severe net interest margin deterioration caused by an unprecedented historical decline in interest rates. (With billions of dollars in fixed rate Certificate of Deposits, our nations' banks couldn't react quickly enough for this unexpected and never before seen interest rate decline).

The nearly 100% increase in FDIC insurance premiums in 2009 along with **this one-time special assessment is a calamitous burden** for an already battered industry. Please consider the following:

- In 2008, the sum total of all **FDIC insurance premiums was \$3 billion for the entire industry. In 2009, the FDIC plans to assess the industry more than \$27 billion, a 900% increase in one year.**
- The 20 basis point special assessment alone could be up to **50% of 2009 gross earnings** for many of our nations' profitable but smaller banks as bank profits are so low. For unprofitable banking institutions, this one-time assessment **will threaten their very existence and could become a major destabilizing event for our economy.**

Patriot Bank is profitable, strong and responsible for creating 200 new jobs in its last four years of operation. Our profits could be severely impaired if this fee is assessed as planned. This fee will cost us an exorbitant portion of our 2009 profits which represents millions of dollars that could otherwise be used to create new jobs or stimulate our local economy. In addition to this proposed fee, our normal annual FDIC Insurance Premium now exceeds \$900,000 annually up from \$500,000 in 2008. Essentially, the FDIC could easily take from 40% to 50% of our 2009 profits at a time when we have no chance to recoup this cost or pass it on to our consumers. **Most banks will have to reduce jobs in order to cover this cost that cannot be passed on to our customers.**

In short, the FDIC assessment and increase in fees will only harm the local communities that we all serve! It will force banks to reduce lending, decrease deposit rates, minimize local vendor spending, and **reduce new job creation.** It will severely curtail the industry's ability to impact our national economic recovery. The unintended consequences of this plan could have disastrous results for our country's banks, and could be very detrimental to the national economic recovery.

Again, I humbly request that you reconsider this assessment in its current form. At least attempt to find some accounting methodology to soften the blow by allowing a long term amortization and or some additional tax benefits in conjunction with the other relief that our government is attempting to provide.

Thank you for your time and consideration.

Regards,
W. Don Ellis
Chairman & CEO
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