March 31, 2009

Assessments, RIN 3064-AD35

Robert Feldman
Executive Secretary
Comments, Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Mr. Feldman,

MidFirst Bank, an OTS chartered federal savings association, appreciates the opportunity to comment on the FDIC's proposed 20 basis point special assessment as published in the March 3, 2009, Federal Register beginning on page 9338.

MidFirst encourages the FDIC to explore all options before adopting the 20 basis point special assessment in final form. The special assessment as proposed will limit the industry's ability to originate loans and will burden net income. While MidFirst supports a strong and viable FDIC insurance fund to promote public confidence, MidFirst also suggests that public confidence is likewise affected by the financial condition of individual banks – the special assessment will not only impair the financial condition of banks through the increased expense but will reflect net income volatility.

A better approach to addressing concerns with the fund balance is to increase the FDIC's borrowing capacity, to establish a premium structure that is consistently applied over time, to implement a customer awareness campaign that adequately explains the FDIC's financial capacity to the public at large, and to consider other available options. Recent attempts to increase the FDIC's borrowing capacity would offer the flexibility for an extended fund recapitalization period thereby diminishing the need for an immediate special assessment while allowing the FDIC time to realize the true net costs associated with failed bank resolutions. The FDIC's mark-to-market at the time of a bank failure does not incorporate possible up-side benefit as the liquidation is finalized. Basing the special assessment solely on the mark-to-market and an estimate of potential future bank failures unduly penalizes banks. Further, the reserve for bank failures in the immediate future has been included in the reserve ratio whereas the anticipated premium over that same period is not included thereby skewing the reserve ratio as seemingly less than what it would be in a more balanced approach. Finally, recapitalizing over a more extended period is not without precedent as it would have similarities in structure to the Financing Corporate (FICO) bond process implemented in the 1980's; while MidFirst does not suggest a 30 year FICO bond structure is necessarily appropriate, it is worthy of review as the FDIC develops the optimum recapitalization plan that benefits the public, the industry, and the FDIC.

While opposing the special assessment as proposed, MidFirst specifically opposes any concept in which certain institutions would be excluded from the special assessment. If the one time assessment is to be imposed, it should be imposed uniformly on all institutions, regardless of each institution's financial capacity, so as to prevent anticompetitive effects. Adoption of a tiered premium structure should only be implemented after careful consideration of the impact such would have on CAMELS ratings, financial ratios, public perception, future assessments, and other factors of individual institutions.

MidFirst also opposes attempts to base the premium on factors other than the deposit base. MidFirst recognizes that a risk based premium structure must incorporate certain elements other than deposits, yet deposits must remain the dominant factor in the insurance calculation. Specifically, suggestions to base insurance premiums on total assets rather than deposits presents a situation in which the price of the service acquired has no relevance to the service itself. At minimum, such a change should only be considered after study of the entire premium structure methodology which is outside the scope of the current proposal.

Finally, MidFirst suggests that any future special assessment should be submitted for public comment prior to implementation. The potential magnitude of such assessments warrants careful consideration so as to appropriately balance the objectives and circumstances of all constituencies. The objective of a strong and stable insurance fund should not be compromised by unintended consequences stemming from special assessments.

MidFirst appreciates the opportunity to comment on the proposed rule. If additional information is necessary, please contact the undersigned.

Sincerely,

Charles R. Lee
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Director of Bank Regulatory Affairs
MidFirst Bank
Oklahoma City, OK