First Keystone Bank
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April 1, 2009

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Company
550 17th Street, N.W.
Washington, DC 20429

RE: RIN 3064-AD35

Dear Mr. Feldman,

First Keystone Bank has been part of the Delaware County community since its founding in the 1880s as a building and loan in Chester, Pennsylvania. Over the years, the Bank has helped a countless number of individuals to buy homes, businesses to grow and prosper, and organizations to provide services to local communities.

The traditional banking activities of First Keystone Bank have not been the root cause of the economic troubles in which our country and the world are embroiled. Our Core Capital ratio has never fallen below 8.45%, well above the capital ratio that is seen at many of our country's largest institutions. In the current environment, almost any banking institution presents a risk to the DIF; however, in the case of First Keystone Bank, we believe that the risk is significantly lower than what is posed by many larger institutions whose unchecked asset generating activities over the last several years have been responsible for much of what ails our economy today. Over the past two years, First Keystone Bank has paid a surcharge (estimated at approximately $100,000 per year) on our FDIC insurance despite the fact that our bank never posed a likely loss to the DIF. We have more than paid our fair share, and we strongly reject being put into the same assessment category as institutions which have not handled their activities responsibly.

We are now being asked to pay (under the original FDIC proposal on February 27) a 20-basis-point special emergency assessment to help bolster the FDIC deposit insurance fund. We understand the importance of FDIC insurance and support appropriate actions that are needed to maintain the solvency of the DIF; however, we believe that the proposed 20 basis point assessment (or for that matter the 10 basis point compromise that has been suggested) places an unfair burden on community banks such as First Keystone. At the proposed level, the assessment would cost First Keystone approximately $750,000 on a pre tax basis. This is on top of a doubling of our FDIC insurance costs in 2009 (up more than $300,000 compared to 2008) due largely to an increased premium that is expected to be implemented. To put this into perspective, **increased** FDIC premiums for First Keystone Bank in 2009 would be about one third of our projected pre tax profit.

The proposed 20 basis point assessment will impede our ability to lend by an estimated $8 million reduction in 2009—that means reduced access to credit for many of the consumers, businesses and organizations in our market area. These families and entities need every lending dollar that we can provide in this environment. This dampened lending activity will not only limit First Keystone's ability to increase our capital (via reduced profit growth) but lower levels of lending will likely mean increased job losses—at a time when our country desperately needs job growth.

To rebuild the Deposit Insurance Fund (DIF), our bank proposes that the FDIC change the structure of the assessment base and levy a systemic risk premium on the too-big-to-fail institutions that helped trigger the problems that led to the fund being depleted. Our recommendations include:

- **The assessment should be based on bank assets, not just domestic deposits**
- **Systemic risk premium should be levied on large banks and other organizations that have a direct connection to the problems in our financial markets.**

Please support legislative provisions in the House that increase the FDIC's line of credit at the Treasury to further demonstrate that the full faith and credit of the United States backs insured deposits. Furthermore, please monitor Senate Banking Committee Chairman Christopher Dodd's legislation to increase the agency's borrowing authority. I know all community banks are willing to work with the FDIC to find alternative ways to rebuild the DIF and we urge that any proposals set forth not ask common-sense community bankers to shoulder a disproportionate share of the burden so that we can continue to serve our customers in cities and towns throughout Pennsylvania. Thank you.

Sincerely,

Hugh J. Garchinsky
President