SOUTH DAKOTA BANKERS ASSOCIATION
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March 23, 2009

Mr. Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Attn: Comments / Legal ESS
550 17th Street NW
Washington, DC 20429

RE: Proposed Special Assessment for the Deposit Insurance Fund

Dear Mr. Feldman:

Thank you for the opportunity to comment on the FDIC's proposed interim rule that would impose a 20 basis point special assessment on bank deposits as of June 30, 2009. I wish to begin my comments by stating the South Dakota Bankers Association's 91 member banks understand the importance of maintaining the financial viability of the Deposit Insurance Fund (DIF) and thereby maintaining customer confidence in bank deposits backed by the FDIC. However, the members of the SDBA are very concerned about the special DIF assessment and the devastating impact it would have on bank earnings. In order for the FDIC to fully understand both the level and reason for banker concern in South Dakota, it is important that you know that the SDBA membership is largely comprised of small community banks:

- that didn't make interest-only, low / no-doc mortgage loans to borrowers who had limited prospects for long-term repayment;
- that historically have made loans to individuals, farmers, ranchers and small businesses which are the backbone of our nation's economy;
- that despite the current weakness in our national economy and the associated pressure on bank earnings, stand ready to continue to supply the credit needed to sustain and grow local economies.

The ability of banks to meet that continuing demand for credit so critical for rebuilding our nation's economy will be severely hamstrung by the FDIC's 20 basis point special assessment. I understand that approximately 1/3 of our nation's banks lost money in 2008, a percentage which very likely could grow in 2009. As an unbudgeted expense, this proposed special assessment will drive those losses even higher, thereby diminishing bank capital at a time when bank regulators, including the FDIC, are urging banks to build capital as a safeguard against estimated future loan losses.

While South Dakota has been spared the worst economic damage due to spikes in job losses and declines in residential and commercial real estate values, our economy faces challenges nonetheless. Our banks are not immune to the pressures created by the deepening national recession, accounting rules that overstate economic losses and unfairly reduce bank capital, regulator pressure to classify assets that continue to perform, and a significant increase in regular quarterly FDIC premiums. I strongly encourage the FDIC to work with the banking industry to develop alternatives to the special assessment. Some alternatives to consider include:

- Reducing the special assessment and spreading any remaining assessment over a longer period of time.
- A convertible debt option such as allowing FDIC insured banks to purchase preferred stock in the DIF.
- Partially recapitalize the DIF under a program similar to the FICO bonds of the 1980's.
- Redirect revenue from the Temporary Liquidity Guarantee program to the DIF.
- Use the FDIC's borrowing authority with Treasury if the DIF needs resources in the short-term.

The banking industry and the FDIC share the desire to make sure that the DIF remains secure. Congress and the Obama administration want banks to continue to lend in order to foster economic growth. I strongly urge you and the FDIC Board of Directors to consider these and other constructive suggestions in order that the broad spectrum of interests can best be served.

Best regards,

Curtis A. Everson
SDBA President

cc. Representative Stephanie Herseth Sandlin
Senator Tim Johnson
Senator John Thune