South Coastal Bank
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March 26, 2009

Mr. 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:

As President and CEO of a community bank in Massachusetts, I appreciate the opportunity to comment on the FDIC's interim rule that would impose a special assessment of 20 basis points effective June 30 on all FDIC-insured institutions. I have serious concerns about this proposal, which is a significant and unexpected cost to my bank that will hurt our ability to lend in our community and create jobs.

I strongly believe that the Deposit Insurance Fund (DIF) must remain strong and secure during these challenging economic times in order to maintain public confidence in the insurance system.. However, my bank is already dealing with rising unemployment and a deepening recession, accounting rules that overstate economic losses and a significant increase in regular FDIC premiums. Addressing each of these issues individually would be difficult; being forced to deal with them simultaneously puts an enormous strain on my institution.

Banks like South Coastal Bank that never made a subprime loan and have served our communities in a responsible manner are being unfairly penalized by the FDIC's proposal. The cost of the special assessment is so high that it is a disincentive to raise new deposits, which will inhibit our ability to lend. The unexpected timing and high cost of the assessment will negatively impact our earnings this year resulting in reduced charitable giving and the ability to hire new lenders. Additionally, a mutual bank such as South Coastal Bank has not had access to TARP while larger publicly traded institutions will have had taxpayer assistance to pay the assessment.

Given the impact the proposed assessment will have on South Coastal Bank and local communities, I strongly encourage the FDIC to consider alternatives that may reduce the burden of rebuilding the fund while ensuring that the FDIC has the resources it needs to address ongoing problems in the banking system. Specifically, I believe the FDIC should consider the following options:

- The suggestion of a reduction in the assessment from 20 basis points to 10 basis points pending approval of legislation in Congress to increase the FDIC's line of credit with the Treasury Department is a step in the right direction. In addition to this reduction, we also believe the agency should institute a risk weighting that places less of a burden on healthy institutions. The special assessment should also be based on total assets (minus tangible capital), not domestic deposits, so that banks that caused the problems pay a bigger share. Deposits have not caused the problems, it is bad assets and banks with higher level of bad assets should bear more of the cost of the assessment.

- While the FDIC board approved an extension of the recapitalization process from five to seven years, I believe the agency should consider extending that further, to at least ten years.

- Consider using a bond or a convertible debt option that might allow banks to write off the expense over time or only when the funds are actually needed; and

- Calculate premiums for new, higher risk entrants to the DIF based on assets for a certain timeframe instead of deposits. This will increase premiums on institutions that obtained bank charters over the last several months and contributed to the dilution of the funds resources.

These options all ensure that the DIF remains secure without placing such a large burden on my bank and other community banks. I urge the FDIC to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule.

Thank you for the opportunity to comment on the proposed rule.

Very truly yours,

Robert J. Fraser

Robert J. Fraser
President and CEO