From: John Lund [mailto:jlund@rockvillebank.com]
Sent: Wednesday, October 07, 2009 9:50 AM
To: Comments
Cc: 'William J McGurk'
Subject: Comments regarding the FDIC proposal of pre-aid assessments

To Whom It May Concern:

The following are comments from Rockville Bank, South Windsor, Connecticut, to the questions posed in FIL-58-2009 Prepaid Assessments, Notice of Proposed Rulemaking. We are a $1.6 billion dollar community bank located in north central Connecticut. We have taken great care in deciding how to respond to these very important questions and ask for your consideration of them as you navigate through what we expect will be an outpouring of responses. We welcome the opportunity to respond to additional questions or comments that you may have on these.

1. Further special assessments would be detrimental to an already fragile banking industry. These immediate hits to earnings serve to reduce the very component banks are trying to preserve and promote in this economic uncertainty, capital. Moreover, this step asks some banks, who made careful long term decisions, to pay for the short-sighted sins of other institutions. The question that should be asked is where was the regulation over those who brought us to this situation and at what level should they bear the burden of this crisis. If the Corporation determines, in its wisdom, that additional assessments will be required, the assessments should be tiered based on risk category and/or under the formula most recently employed which is total assets less capital.

2. Borrowing from the Treasury or the FRB should be viewed as a last resort. Also the current political agenda of Congress could make getting approval to tap these lines rather arduous. In other words, the governing body would suggest that the Corporation go right back to its constituents and demand additional special assessments, as this would be most expeditious and least confrontational. Please see response #1 for why special assessments are not in the industry's best interest.

3. Pre-paying of assessments appears to be the least painful and most relevant of all the options offered. If not made mandatory this could affect the accounting treatment of the pre-paid expense and this asset has benefits to banks. Clearly the Corporation has the statistical data to determine what are sufficient funds to fund resolutions going forward.

4. Five percent would seem to be a reasonable estimate for growth assumption, however, the question becomes what would be the Corporation's plan for restoration to those that pre-pay and don't growth more than five percent. Or, what mechanism will the Corporation use to periodically re-assess if in fact that level is reasonable? The concern is that well into this pre-paid situation, the Corporation could determine the need to raise the percentage increase, thus asking for more in assessments. Some period of relief would be reasonable to ask for so that the bottom line hit is mitigated, so that payments made in arrears can be spread over a longer period of time. The Corporation should duly consider this and be prepared to explain to the industry as the Corporation looks to "true up" estimates going forward in this three year pre-payment timeframe.

5. The pre-pay installments over a longer period may have some benefit, however, the fact that this exercise is taking place suggests the Corporation needs the money sooner rather than later and three years worth on a total industry basis would seem reasonable.

6. No additional special assessment should be called for. A temporary higher base rate would be reasonable, provided as noted in #4, there is a timely analysis schedule and restoration period that would not cause undue expenses in arrears to make up the assessment shortfall. This timely re-analysis would need to keep the one year from January 1, 2011 timeframe in mind. It would be particularly unfavorable for the Corporation to wait until well into 2010 to decide that the assessment rate needs to be increased, so analytical preparing should be well mapped out if we all know January 1, 2012 is the "must" date for fund restoration.

Regards,

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