From: Steve Baggerly [mailto:stevebaggerly@bopguymon.com]
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To: Comments
Subject: RIN 3064-AD35

Federal Deposit Insurance Corporation
RIN 3064-AD35
Robert E. Feldman, Executive Secretary

Attention: Comments

I offer the following comments on the portion of RIN3064-AD35 that include the new 20bp special assessment to replenish the DIF.

I believe that the rate should be lower than 20bp for a one time assessment. My bank has over twice the capital that is required to be "well capitalized" and our earnings are strong. Nevertheless, a single year reduction of about 12% in projected 2009 earnings that would result from a one time assessment of 20bp will reduce our capital and as a result allow us to not expand our lending as much as would otherwise be possible. I would think that if the 20bp assessment is estimated to raise the DIF by 32 bp, then spreading the 20bp over three years (or about 7bp per year) would produce the same increase, although at a slower rate. While this bank did not contribute to the current problem, I recognize that we need to be a part of the rebuilding of the fund. However, the FDIC constantly insists that we evaluate risk and operate our bank accordingly. Therefore, I think that the banks that have chosen to pose the greatest risk to the system should have to pay the highest premiums. The proposed structure penalizes conservative banks while failing to assign responsibility to the less conservative banks that pose the greater risk.

I do not think weaker institutions should be exempted in whole from the assessment. But, if any institution, even a CAMELS 3 bank, have chosen to operate in a manner that imposes more risk to the system, then they should pay an assessment that is higher. If CAMELS 4 and 5 banks are exempted, then they need to continue to pay some additional assessment after such time as the DIF is restored to the 1.15 level. I would not want a CAMELS 4 or 5 bank to be closed solely as a result of the 20bp additional assessment.

While not a question specifically addressed in the FDIC letter, some consideration needs to be given to the assistance given to "too big to fail" or as the letter describes them "systemically important institutions". Those institutions have not apparently been responsible for depletion of the DIF. However, the FDIC and Treasury have injected billions of dollars into those institutions in recognition of the "very unusual circumstances" facing the economy. I would also describe the DIF as "systemically important" as well and if the US taxpayer is going to pump billions of dollars into those few "systemically important institutions" possible the FDIC should seek legislation to pump a few billion into the systemically important DIF.

Steve Baggerly

President
Bank of the Panhandle
1223 North Main
Guymon OK 73942
www.bopguymon.com
580.338.2593