I find it to be completely wrong that FDIC assesses first a doubling of premium for deposit insurance that was painful but necessary and THEN adds a surcharge that in aggregate will make the 2010 full year FDIC insurance costs 400% more than they were in 2008.

In a time where many healthy, small community banks are doing all the right things....IE reserving more for loan loss, being conservative but lending to qualified borrowers and paying fair interest rates on deposits.........and planning to grow as economy improves in 2010, 2011....in a time like this for FDIC to add another layer of cost is a bad business decision.

For a small (under $500 million) community bank performing near peer group on profit, say $4 mil net income in very generic terms. With some general assumptions on deposit size, presume they had a $240,000 FDIC insurance premium in 2008...in the 12 months beginning June 2009, thanks to double rates plus special assessment, this premium will now be $1.1 million +/-. ...... And you have a 22% reduction in profit of bank.

That is less money to reinvest in capital, community, loans, dividends to shareholders...less money available to reserve against loan loss and so forth.

Makes absolutely zero sense to throw billions of TARP dollars at big banks who caused the problem and then tax the small banks out of existence.

You will see a spiral effect in that THIS surcharge will cause more small banks to get out of the game, and FDIC insurance fund will thus get hit harder, requiring more funds to fix the problem.

The correct solution is simple, use government funding to bridge the gap for a couple years, then add, in small KNOWN IN ADVANCE bumps up in the core insurance rate once banking his healthy again. You can get the same total dollars into the fund but at appropriate time.

Almost like there are no bankers involved in this decision, clear Ivory Tower decision.