Harbor Springs Financial Corporation
Five Generations Strong

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October 15, 2009

Via e-mail (comments@fdic.gov)

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington D.C. 20429

Re: FDIC Prepaid Assessment / RIN 3064-AD49

Dear Mr. Feldman:

Thank you for this opportunity to comment on the FDIC's proposal to amend 12 C.F.R. Part 327 to require insured institutions to prepay their estimated quarterly risk based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012. These are some of our concerns with the proposal:

(1) **Premiums Should be Based on Total Assets, not Deposits.** Regardless of the payment approach to FDIC premiums, at least place the burden more fairly across banks. It's extremely unfair to charge community banks as a group a disproportionate amount in comparison to money center mega banks – who in reality created this need in the first place. At some point, the community banking industry will cave under the unfair treatment if these types of issues are not properly rectified. What better time than now to make the playing field fair for all banks by basing the formula on Total Assets and not Deposits.

(2) **Non-Earning Assets have Negative Effects.** Prepaying the assessment creates an additional nonearning illiquid asset that reduces needed earnings, capital and liquidity.

(3) **Failure to Refund Excess Payments.** It's burdensome and unnecessary to withhold excess prepaid assessments for the entire three year period. This problem is particularly acute for any banks currently paying an elevated assessment.

To eliminate or at least reduce these negative effects, we encourage the FDIC to pursue one or more of the following alternatives:

(1) **Change the Basis for Premiums from Deposits to Total Assets.**
This is especially critical if the final plan calls for prepaying several years worth of premiums based on the current unfair methodology.

(2) **Use Alternatives to Prepayment**. We strongly encourage the FDIC to pursue one or more other alternatives to the prepaid assessments, such as borrowing from the Treasury or the FRB. This would provide necessary funding without putting an additional burden on banks.

(3) **Shorten the Prepayment Period**. As an alternative to prepaying three years of assessments, we would strongly prefer that assessments be prepaid only for 2010 and 2011.

(4) **Promptly Refund Excess Payments.** We respectfully request that you change the proposal so that the FDIC would refund a portion of the prepaid assessment if a bank's total deposits or actual assessment rate decreases during the next three years. Many banks have experienced significant increases in their assessment rate. In addition, given Michigan's economy we do not expect to grow at a 5% annual rate over the next three years.

(5) **Exempt Certain Banks.** We encourage the FDIC to actively exercise its supervisory discretion to exempt institutions from the prepayment requirement where that requirement might adversely affect the safety and soundness of the institution. We believe that prepayment of the assessment should be eliminated or made voluntary for any institution currently operating under a Cease and Desist Order or capital directive that contains a capital target. These institutions are the ones who already have elevated assessment rates and who most need to have an earning asset that improves earnings and capital.

Thank you for this opportunity to comment. We appreciate your consideration.

Sincerely,

Robert W. Clarke

Robert W. Clarke
President and Chief Executive Officer
Harbor Springs Financial Corporation
Harbor Springs, Michigan
(Bank holding company for First
Community Bank of Harbor Springs
and Select Bank of Grand Rapids)