From: Dan Moultrie [mailto:dmoultrie@capitalbank-nc.com]
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The 8000 community banks of the United States of America that employ over 1 million people did not cause the mess we are in today, but they do offer the way forward. Community Banks are still open for business, taking deposits and making loans, investing in their communities and giving back in time and money. Community banks do this while competing with "systemically" important institutions that have increased competitive pressures for deposits and are now increasing deposit insurance costs exponentially.

A 20 basis point assessment across the board does nothing to ensure the solvency of the Deposit Insurance Fund when institutions that are too big to effectively manage (or supervise) are involved. The special assessment announced Friday hampers the ability of community banks to pay returns to all of their stakeholders during these volatile times. It also cancels the positive multiplier effects of the Capital Purchase Plan. How can a community bank effectively budget expenses with the possibility of being blindsided by a huge expense is hanging over our heads? They can't. Therefore, community banks will reduce lending, reduce charitable giving and reduce employment. A better option would be to draw on the FDIC's line with the Treasury to restore the DIF until the market stabilizes. Then, make special assessments on institutions based on market share to pay back the Treasury without disproportionately affecting smaller banks. Another option would be to create a separate fund for banks with assets above a certain threshold.

Again, community banks are not the cause of our financial problems, but the solution. Don't handcuff them when the future of our financial system is in their hands.

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