From: Robert Barnes [mailto:rbarnes@priorityonebank.com]
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To: Comments
Subject: FDIC Insurance Special Assessment

On Friday, February 27, 2009 the FDIC Board of Directors made some pretty remarkable decisions. Little news coverage has been paid to these decisions, but their effects will be immediate and will affect both shareholders and depositors alike.

On Friday, the FDIC's Board of Directors approved several changes outlined below:

1. Approved a 14% increase in the annual FDIC Insurance Assessment rate for ALL banks, regardless of their health or size.

2. Approved a one-time special assessment of 20 basis points for ALL banks.

3. Approved giving FDIC Management the authority to impose a 10 basis point special assessment during any calendar quarter going forward as they saw fit.

While I understand that these difficult economic times will put a strain on the FDIC's insurance reserves, I disagree that healthy community banks should be required to subsidize the continued operations of what is called "systemically important banks". This refers to those that are considered "too big to fail", like Citigroup and Bank of America. The FDIC had many different options to replenish the insurance reserve fund (including making the big banks that caused many of the problems pay for it), but chose what they viewed as the simplest method – make community banks pay for it!

Carmen Fine, CEO of the Independent Community Bankers Association (ICBA) summed it up nicely:

> "How ironic that on the same day that Citibank is getting its third bailout from the government in six months, community banks are being kicked in the teeth by sharply higher FDIC assessments. The largest financial institutions are the ones that destabilized our economy. It is regrettable that the FDIC has decided to levy such a heavy burden on Main Street banks to indirectly pay for the economic wreckage caused by the incompetence and greed on Wall Street.
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> "Community banks are common-sense lenders that played by the rules, yet they are shouldering a disproportionate share of the premium to rebuild the Deposit Insurance Fund due to the structure of the assessment base. The FDIC should change the structure of the assessment base and be permitted to levy a systemic risk premium on the too-big-to-fail institutions that helped trigger the problems that led to the fund being depleted."

In 2008, banks in our national Peer Group had pretax earning of .67% of assets. This new assessment (.22%) wipes out a third of the earnings for our Peer Group overnight! This new assessment will push more community banks into insolvency, at the same time our government

is bailing out the Wall Street banks. There is no reason that community banks should be shouldering a disproportionate share of this cost.

The ultimate result of these decisions will be lower returns to shareholders and lower rates paid on deposits, as banks struggle to make up for this extra expense. This will come at the worst possible time for our shareholders and communities, as the economic downturn has already put many people into difficult financial positions.

I urge the FDIC Board of Directors to reconsider this decision and to change the structure of the assessment base and to levy a systemic risk premium on the too-big-to-fail institutions that helped trigger the problems that led to the fund being depleted.

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