From: Jon Hoover [mailto:lending@wvsbank.com]
Sent: Wednesday, October 21, 2009 1:17 PM
To: Comments
Subject: Prepaid Assessments, Proposed Rule - AD49

October 21, 2009

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

RE: Prepaid Assessments 12 CFR Part 327
RIN 3064-AD49

Dear Mr. Feldman:

West View Savings Bank is aware of the many options that you have contemplated in restoring the Deposit Insurance Fund to adequate levels to address the immediate and necessary resolution of problem financial institutions. To that end, we respectfully ask you to consider options that would not require a prepayment assessment on the financial industry as proposed in amending 12 C.F.R. Part 327.

As a small community bank in Pennsylvania that operates six branches in the North Hills suburbs of Pittsburgh, West View Savings Bank is deeply concerned about the effects that the FDIC's prepayment assessment might have on a bank's earnings, capitalization level, and the nation's economy. With the accelerated premiums, as a result of this proposal, a further strain will be imposed on West View Savings Bank, as it will be forced to prepay assessments in excess of $1 million.

Community banks have long been an important and vital resource for the residents and local businesses they serve. Adding yet another financial obligation during the current economic crises could further weaken many of our community banks by depleting the capital of these institutions, making it difficult for them to extend credit.

The FDIC's proposal, requiring insured institutions to prepay their estimated "quarterly risk-based assessments" for the fourth quarter of 2009 and for all of 2010, 2011 and 2012, will not provide a long-term fix for the shrinking fund that insures bank deposits.

It is not fair that those institutions acting in a fiscally responsible manner must pay for the mistakes of those banks that have failed or acted irresponsibly. We did not create any of these problems and never engaged in any of the activities that brought about the current financial crisis. However, West View Savings Bank, along with other healthy banks, is being asked to shoulder the burden and bear the full costs over the next several years; it is unacceptable to penalize the healthy financial institutions.

We have seen the bail outs of large banks, automakers, and insurers under the U.S. Government's Troubled Asset Relief Program (TARP) which were in part due to unsafe practices, inadequate protections, unnecessary risk-taking, and even corporate malfeasance. It is time to hold others accountable for their actions.

In an unprecedented move, the FDIC plans to raise $45 billion by collecting advance payments from the banking industry. In effect, the FDIC is taking out a massive, no-interest loan to cover its bills. Borrowing from the future will not improve the insurance fund. Rather than short-term measures that focus on a few quarters in the future, the FDIC needs to consider all aspects in addressing these issues, not just push them off to later years. I have never heard of an insurance company going to the insured and requiring three years of premiums in advance; this is absurd. An immediate prepayment premium assessment on the banking industry would exacerbate the troubles facing the banking system.

Given the high number of bank failures (current and anticipated) and, in lieu of the proposed prepayment assessment, the FDIC should strongly consider the following options to help replenish the Deposit Insurance Fund:

- Borrow against the $100 billion line of credit from the Treasury right away. The FDIC can tap up to $500 billion with the Treasury Secretary and the Federal Reserve's approval.
- Borrow money from strong, healthy banks that the FDIC insures.
- Utilizing the repayments or profits from the TARP program to fund the Deposit Insurance Fund.
- Implement the issuance of bonds backed by the full faith and credit of the United States government.

Once already this year, the FDIC has levied a special assessment to boost the Deposit Insurance Fund and has stated that it will likely have another special assessment in the fourth quarter. Caution must be given to the effects of imposing one or more special assessments on the industry in the middle of a recession, when so many banks are struggling. For banks that were already feeling the effect of a weak economy, special assessments could only make them weaker and less able to provide the credit that businesses and families need.

We do understand the need to maintain the Deposit Insurance Fund and sustain confidence in our depository system; however, West View Savings Bank is concerned about how the prepayment is going to put a further drain on earnings.

Such a proposal will also crimp the profits of many financial institutions and could push a handful of banks into deeper financial trouble or even receivership. Financial Institutions that are well run end up paying eventually a very heavy price.

I hope that you will consider these comments in your decision making process.

Respectfully,

/s/Jonathan D. Hoover
Senior Vice President
West View Savings Bank