From: Robin Buerge [mailto:RBuerge@grandbankok.com]
Sent: Monday, March 16, 2009 9:43 AM
To: Comments
Subject: Special One-time FDIC assessment

FDIC Board of Directors:

This letter is to comment on the proposed implementation of a 20 basis point one-time assessment to FDIC insured banks.

While our bank applauds the goal of having the FDIC be the insurer of last resort for the banking industry, and while we truly understand and appreciate the difficult position of the FDIC in managing the difficult environment we all find ourselves in, we feel we simply must respond to your proposal with a request that you reconsider and look for an alternative funding mechanism.

Here are the most obvious ways in which the proposal will impact our bank:

1. The nearly $400,000 premium for the one-time assessment only (does not include the increase in the regular assessment) is 20% of our anticipated net income for 2009. And, this assumes we hit our net income budget, something clearly exposed to a high degree of risk given the uncertainty of this economy and its impact on loan losses.
2. Because of the high degree of risk in us hitting our budgeted net income, we will be forced to shrink our loan portfolio to maintain as strong a risk-based capital position as possible. While our leverage ratio has substantially more capacity, our risk-based ratio is already tight and we have implemented strategies to reduce our loan portfolio and have done so by about $15 million, about 7.3%, over the past six months. We would anticipate the need to further reduce our portfolio by an additional $2,340,000, or 1.2% just to cover the after-tax cost of the assessment. This does not include any figures for the increase in the regular assessment. Additionally, we would further anticipate the need to create an additional margin in our capital capacity so the likely aggregate impact to our loan portfolio will be a reduction in excess of 10% and possibly as much as 15% in order for us to maintain adequate capital after funding the proposed increases to the FDIC's assessments.
3. In addition to the negative impact on our earnings from the FDIC assessments, we are seeing a reduction in service charge income, NSF income, loan fees, etc. We have implemented a hiring freeze, have frozen salaries, did not pay bonuses, and may have to look at reducing the number of employees we have to meet the challenges of this economy.
4. We have experienced a multiplier effect during this economic downturn whereby one negative event results in another negative counter measure and another and so on. We simply cannot quantify the unanticipated consequences of all these negative occurrences and the appropriate management response is simply to reduce our risk exposure at every opportunity and hoard capital until this economic malaise passes and some sense of normalcy returns. This is neither good for our employees, our customers, or our communities.

We do not know what options are available to the FDIC to meet its needs but we implore you to please go back to the drawing board and consider alternative methods to meet the needs of the FDIC.

Thank you for this opportunity to express our opinion.

Sincerely,

Robin Buerge,
Chairman
Grand Bank
Tulsa, Oklahoma