October 21, 2009

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

To Whom It May Concern:

This letter is in response to your request for comments regarding the Prepaid Assessments Notice of Proposed Rulemaking issued on September 30, 2009.

Below are responses to the specific issues mentioned in FIL 58-2009:

1. As an alternative to prepaid assessments, should the FDIC meet its liquidity needs by imposing one or more special assessments?

    The FDIC should consider allowing a bank to choose either the prepaid option or another special assessment. While the action needs to be fair across financial institutions, I feel that banks with limited liquidity should preserve that liquidity and be given another option to fulfill the FDIC's needs.

    Consideration should be given to the applicable systemic risk from applying either measure. The effect on the banks should be reviewed including the liquidity effect of a large prepaid assessment and the effect on capital from additional special provisions (in addition to the increases).

2. Should the FDIC pursue one or more of the other alternatives to the prepaid assessments, such as borrowing from Treasury or the FFB?

    Yes, the FDIC should consider borrowing from another source. Essentially with prepaid assessments, the FDIC would be borrowing from financial institutions. The prepaid assessments are coming at a time when banks are most vulnerable and need to preserve liquidity for either the current state of their bank or unknown future events that could affect their bank in a negative manner.

    If financial institutions are required to prepay assessments, the FDIC should consider a credit back to the bank (applied toward the assessment) for the lost income from funding the FDIC 3 years in advance. This would help the banks recover some of the income and thus preserve capital.

3. Should prepaying assessments be voluntary rather than mandatory as currently contemplated, and, if so, how would the FDIC ensure that it receives sufficient cash to fund resolutions of failed insured depository institutions?

The prepaid (or special) assessments should be mandatory across all financial institutions.

4. For purposes of calculating the prepaid assessment, should the FDIC estimate the growth in the assessment base at a rate other than 5 percent for 2009, 2010, 2011 and 2012? Should the FDIC use different assessment rate assumptions than those proposed?

    The FDIC should consider that financial institutions are likely not to grow at 5% over the next few years. There will likely be reduced and negative growth across institutions as banks recover from their current conditions and prepare for any future unknown events.

5. As proposed, the FDIC would require prepayment of estimated assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012 based on its current liquidity needs projections. Should the FDIC require prepayment of estimated assessments over a different period or in installments?

    The FDIC should consider the levels of liquidity that banks would need to provide for a three year prepaid assessment. This level can be a material amount for banks, depending on their size and their assessment level. The prepayment will likely affect the banks that have higher assessment levels the most. These are likely also the institutions which need to be preserving liquidity.

    If a prepaid assessment should be in place, one year is the maximum prepayment period that the FDIC should consider. In addition to the liquidity crunch and lost income, the assessment levels can change drastically during the current economic environment and should be re-assessed and charged at least once per year. Prepaying the assessments for one year at a time would also allow the FDIC to properly adjust for the bank's growth level and not risk applying growth and added expense to banks that are not growing at the 5% proposed level.

6. Should the FDIC's Amended Restoration Plan incorporate a provision requiring a special assessment or a temporarily higher assessment rate schedule that brings the reserve ratio back to a positive level within a specified time frame (one year or less) from January 1, 2011, when the FDIC projects industry earning will have recovered?

    Bank earnings have already taken a significant hit through the increased assessments as well as the special assessment in the past year. To ask struggling financial institutions to pay even more could materially affect the institutions' capital and earnings. However, if a higher assessment is deemed necessary, I believe it should be temporary and return to more normal levels when appropriate.

Thank you for the opportunity to comment on the proposed rulemaking.

Sincerely,
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