

REFERENCE: ASSESSMENTS RIN 3064-AD35

I am writing to discuss the proposed FDIC special assessment for 2009. This special assessment would cost our 200 million dollars bank approximately \$350,000 this year in addition to the \$160,000 that we budgeted. Our FDIC cost in 2008 were \$120,000 so this assessment would be triple our actual costs.

We are one of the community banks that are still serving our community and this special assessment would be very difficult to manage.

We would obviously have to find a way to increase income and reduce expenses in some way that would offset or partially affect this large amount. It would be a detriment to our community.

There are a few points that I would like for you to consider and they are as follows:

- Community banks are being unfairly penalized. Community banks did not participate in the risky practices that led to the economic crisis, yet they are being penalized by having to pay this onerous special assessment on top of regular assessments that are more than double those last year. The community banking industry is the bright spot in this current economic storm. The vast majority of community banks are well-capitalized, common-sense lenders that have been and want to continue to help in the economic recovery process in cities and towns throughout America. This special assessment will only hinder their ability to do so.
- The special assessment should be based on total assets (minus tangible capital), not total domestic deposits, so that banks that caused the problems pay a bigger share. In the case of a 20-basis-point special assessment, if the assessment base was broadened to total assets (minus tangible capital), the same amount of revenue could be generated for the Deposit Insurance Fund (i.e. approximately \$15 billion) by assessing every bank approximately 12 cents per \$100 of assets as opposed to 20 cents per \$100 of domestic deposits.

- I support broadening the assessments base to include total assets (minus tangible capital). Since large banks hold a proportionately larger share of total banking assets than total domestic deposits, large banks would shoulder more of their fair share of the assessment if the assessment base was broadened to include total assets.
- Accounting rules should be changed. **I support** a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years.
- Systemic-risk premium for the large banks. **I support** a systemic-risk premium for the large, “systemically important” banks. This premium should be large enough to pay for the substantial risk of insuring these institutions. Also urge the FDIC to consider the assistance provided systemically important institutions in determining the special assessment.
- Failing large banks will have to access to TARP money to pay for the premium. It is **unfair** that so many of the large banks have received tens of billions of dollars of TARP money and will have the ability to use these taxpayer funds to pay this premium.
- The FDIC should explore all alternatives for funding the DIF in lieu of the special assessment. There are many alternatives to funding the DIF in lieu of imposing a special assessment, including using its existing authority to borrow from the Treasury, issuing debt instruments to the public or using its authority to borrow from the banking industry. All of these alternatives should be thoroughly examined with community bank input.

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