March 15, 2009

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Mr. Feldman:

As a community bank customer in Massachusetts, I appreciate the opportunity to comment on the Federal Deposit Insurance Corporation's
(FDIC) interim rule that would impose a special assessment of 20 basis points effective June 30 on all FDIC-insured institutions. I have serious concerns about this proposal, which is a significant and unexpected cost to my bank that will hurt our ability to lend in our community.

I strongly believe the Deposit Insurance Fund (DIF) must remain strong and secure during these challenging economic times in order to maintain public confidence in the insurance system. However, my bank is already dealing with rising unemployment and a deepening recession, accounting rules that overstate economic losses and a significant increase in regular FDIC premiums. Addressing each of these issues individually would be difficult; being forced to deal with them simultaneously puts an additional strain on my institution.

Banks like mine that didn't participate in the high-risk practices that led to the current economic crisis and have served our communities in a responsible way for years are being unfairly penalized by the FDIC's proposal. The cost of the special assessment is so high that it is a disincentive to raise new deposits, which will inhibit our ability to lend. The assessment may also impact our charitable giving at a time when many non-profit institutions and social service agencies are facing decreases in donations and higher demand for services. These actions will have negative consequences on our local communities at the very time that banks are being asked to stimulate the economy.

Given the impact that the proposed assessment will have on my bank and local communities, I strongly encourage the FDIC to consider alternatives that may reduce the burden of rebuilding the fund while still ensuring that the FDIC has the resources it needs to address ongoing issues in the system. Specifically, I believe the agency should consider the following options:

• I appreciate Chairman Bair's public statements that the assessment will be lowered to 10 basis points pending the advancement of legislation in Congress to increase the FDIC's line of credit with the Treasury Department. In addition to this reduction, I also believe that the agency should institute a risk weighting that places less of the burden on the healthy institutions. For example, the special assessment could have a range of 7-11 basis points that imposes lower premiums on banks in the lower risk categories without overburdening banks in the higher risk categories;

• While the FDIC board approved an extension of the recapitalization process from five to seven years, I believe the agency should consider extending that further, to at least 10 years;

• Consider using a bond or convertible debt option that might allow banks to write off the expense over time or only when the funds are actually needed; and

• Calculate premiums for new, higher-risk entrants to the DIF based on assets for a certain time-frame instead of deposits. This will increase premiums on institutions that obtained bank charters over the last several months and contributed to the dilution of the fund's resources.

Finally, I am strongly opposed to provisions in Section III of the interim final rule that gives the FDIC the authority to impose an additional 10 basis point special assessment at any time and without public comment.
While I understand that the agency needs flexibility in managing the fund, I do not believe this supersedes the need for public and industry comment.
Given that the interim rule provides for any special assessment to be imposed on the last day of a quarter and not collected until approximately three months later, I believe that the FDIC would have ample time to provide at least a 30-day public comment period on any additional special assessment.

These recommendations all ensure that the DIF remains secure without placing such a large burden on my bank and others in Massachusetts that continue to lend in our communities. I urge the FDIC to take these suggestions into consideration when the Board meets in April to finalize the special assessment rule. Thank you for the opportunity to comment on the proposed rule.