

Call to Action on FDIC 20-Basis Point Special Assessment

Community Banks Are Being Unfairly Penalized!

On February 27, the FDIC announced it would impose a 20-basis point special assessment on all domestic deposits as of June 30, 2009, to help recapitalize the Deposit Insurance Fund. This special assessment will be in addition to the regular assessment for 2009, which will be between 12 - 16 basis points for most community banks.

On March 5, the FDIC said it could reduce the special assessment to as low as 10-basis points if Congress enacted legislation that would increase the FDIC's borrowing authority from Treasury from \$30 billion to \$100 billion.

WRITE FDIC AND CONGRESS TO EXPRESS YOUR OUTRAGE AT THE FDIC SPECIAL ASSESSMENT!

Tell the FDIC and your members of Congress that community banks didn't participate in the risky practices that led to the economic crisis, yet they are being castigated by having to pay this onerous special assessment on top of regular assessments that are more than double those of last year.

By being hampered by these egregious fees, community banks can't continue to lend and revitalize the faltering Main Streets of America.

Take immediate action by sending comments to the FDIC before the **April 2, 2009**, deadline. Let your voice be heard by telling them that:

- Explore other alternatives so the industry can fund DIF over time
- Base the assessment on assets less tangible capital, not domestic deposits, as large banks pay their fair share
- Levy systemic risk premium on large banks



Community bankers need to take immediate action by sending comments to the FDIC before the April 2, 2009, deadline.

Community bankers should also send similar letters or e-mails to their members of Congress.

- E-mail your comments to comments@fdic.gov with “Assessments, RIN 3064-AD35” as the subject line.
- Write your letter referencing “Assessments, RIN 3064-AD35” to:
Robert E. Feldman, Executive Secretary
Attn: Comments, Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
- Write your member of Congress by going to www.icba.org and clicking on the FDIC Special Assessment Resource Page or call Kristine Warner at PACB at 1-800-443-5076 for contact information.

Continue to express your concern with the special assessment and be sure to CC your member of Congress and PACB!

When you write to the FDIC, please include the following:

- Describe the impact that any special assessment will have on your bank’s earnings and year-end capital, whether the special assessment is 20-basis points or 10-basis points.
- Estimate your total percentage increase on premiums in 2009 from 2008.
- Describe the impact on your community bank’s ability to lend.
- Explain how the assessment will impair your ability to help foster economic recovery in your local community and that this assessment will further exacerbate the current economic downturn.
- Describe what operational measures you will have to take due to the special assessment.

SAMPLE MESSAGE POINTS

When writing your letter, describe the impact on your community bank's earnings, capital, and service to the community while making the following points:

- **Community banks are being unfairly penalized.**

Tell the FDIC and your members of Congress that 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 of 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 FDIC should explore all alternatives for funding the DIF in lieu of the special assessment.**

Tell the FDIC that 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. The DIF would still be industry-funded if the FDIC used its borrowing authority, but the industry would be able to pay the cost of recapitalizing the DIF over time. All of these alternatives should be thoroughly examined with community bank input.

- **Any special assessment should be based on total assets (minus tangible capital), not total domestic deposits, so that banks that cause the problems pay a bigger share.**

In the case of a 20-basis point special assessment, ICBA estimates that 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. Tell the FDIC and your members of Congress that you support broadening the assessment 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 special assessment if the assessment base was broadened to include total assets.

- **Accounting rules should be changed.**

Tell the FDIC and your members of Congress that you support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years.

- **Assess a systemic-risk premium for the large banks.**

Tell the FDIC and your members of Congress that you 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 unfairly have access to taxpayer money to pay for the special assessment.**

Tell the FDIC and your members of Congress that it's unfair that so many of the large banks that have received tens of billions of dollars of TARP money, and will have the ability to use these taxpayer funds to pay this premium.

USE THIS SAMPLE LETTER AS A GUIDE TO PUT YOUR COMMENTS IN YOUR OWN WORDS.

Re: Interim Rule on “Assessments” (RIN 3064-AD35)

Dear Mr. Feldman:

BANK NAME has been part of our local community since CHARTER DATE, and we have served faithfully through booms and busts, depressions and expansions, and everything in between by acting and lending responsibly.

BANK NAME has not been part of the economic mess our nation is facing. We continue to remain stable, actively lending, and open for business. We have watched silently from Main Street as billions upon billions of dollars have been thrown at the mega-banks and Wall Street institutions and wondered, “Why?”

Our bank has always been a good corporate and community citizen. We thrive and survive based on our local decisions and local commitments. We need each other—not Wall Street—and that’s why we are writing to you to express our frustration with Washington. Main Street community banks did not participate in the high risk practices that led to the current economic crisis, and now we are being asked to pay for the sins of Wall Street.

I strongly urge the FDIC:

- To explore the 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. The DIF would still be industry-funded if the FDIC used its borrowing authority, but the industry would be able to pay the cost of recapitalizing the DIF over time.

If the FDIC proceeds with imposing this special assessment, I urge the following:

- The special assessment and all future assessments should be based on total assets (minus the tangible capital) of an insured institution, not its total domestic deposits, so that banks that caused the problems pay a bigger share. Since large banks hold a proportionately larger share of total banking assets, large banks should shoulder more of their fair share of the special assessment. The amount of assets that a bank holds is a more accurate gauge of an institution’s risk to the DIF than the amount of deposits. A bank doesn’t fail because of its deposits, it fails due to the bad asset quality, and all forms of liabilities, not just deposits, fund a bank’s assets.
- Support a change in the accounting rules to allow banks the opportunity to amortize the special assessment over a period of years. If the banks could amortize the special assessment over several years, for instance, this would significantly reduce its impact.
- 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 “too-big-to-fail” institutions.

Again, I urge FDIC to explore all alternatives for funding the DIF in lieu of the special assessment. The community banks in the country did not cause this crisis, but yet they will pay a hefty price if this special assessment is imposed.

Sincerely,

