Western National Bank

April 1, 2009

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Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C 20429

RE: Assessments, RIN 3064-AD35

Dear Mr. Feldman:

Western National Bank (WNB) is a $980MM community bank based in Odessa, Texas. WNB's Board of Directors is proud of our history of strong capitalization, strong earnings, and excellent management. WNB has eight (8) full service banking locations and currently employs over 200 people.

As a Texas-based community bank, WNB's Board of Directors is frustrated with the current banking crisis and the federal government's response to the crisis. You will recall that Texas suffered through a serious crisis in the 1980's, and will also recall that there was little if anything done at the federal level to address falling property values, high foreclosure rates, increased unemployment levels and what could very easily be described as a regional economic meltdown.

Indeed the opposite was true, as federal policies and "scorched earth" regulatory response exacerbated our problems and resulted in the majority of our banking system in this state being controlled by out-of-state banks. The only "silver lining" is that WNB survived those turbulent times, and consequently have since followed prudent, conservative banking practices.

WNB has neither participated in nor profited from the absurd excesses that significantly contributed to the present economic malaise. With that said, we are still paying a heavy price, with increased deposit insurance premiums, stressed real estate markets, rising unemployment, and irrational deposit marketplace with new and liquidity starved banks offering ridiculous rates, strained net interest margins and anxious customers and regulators.

As you can likely surmise, WNB is not supportive of a special assessment at this juncture. AS SUCH, WE ARE STRONGLY OPPOSED TO ANY ASSESSMENT ON COMMUNITY BANKS AT THIS TIME. While we are appreciative of Congress looking to expand the FDIC borrowing authority from 30 billion to 100 billion, which would perhaps reduce the FDIC's assessment to 10 basis points, we strongly urge you to consider other options to eliminate or reduce the earnings impact of all community banks as follows:

- It seems somewhat counterintuitive to take away capital from those very banks who continue to lend to their local consumers and businesses. As we all understand leverage, each dollar spent elsewhere equates potentially to some $8 in loans to generate economic activity that simply will not happen. This will no doubt have a detrimental impact on lending activity throughout our nation.

- Given the strains on earnings already in play, this special assessment will be especially painful. As discussed previously, shrinking net interest margins created in part by federal government intervention, increased loan loss provisions, extremely low interest rate environments and increasing costs have created very real challenges to community banks like WNB. Adverse consequences include curtailment of contributions to local charities, cutting back on employee training, delaying or canceling expansion plans and even staff reductions in some instances.
- The FDIC Board has no doubt weighed the options of expanded borrowing authority through the Treasury as well as creation of some type of debt instrument. The FICO model may have some efficacy, as could a special issue of debt purchased by the banks, and should be considered as an option to a special assessment.
- If a special assessment is unavoidable, several options, or combinations thereof, could potentially mitigate some of the damage to the community banking industry.
    - An assessment based upon assets, with an adjustment for capital, would rightfully place more of the burden on those who have more culpability in this current economic down turn. WNB believes that the "too-big-to-fail" banks have and continue to receive greater value for their FDIC premiums than community banks. We believe it is time to recognize that inequity.
    - A "systemic risk" premium should be considered, both for this pending special assessment as well as ongoing FDIC premiums.
    - An ability to amortize this extraordinary expense over several years would be most helpful. FASB has an issue with this; Congress can clearly override, and should do so.
- Finally, the FDIC Board as well as Congress should seriously consider the "bifurcation" of the industry to recognize the ever-widening chasm between community banks and the money center and super-regional financial services conglomerates. The distinctions between these two divergent groups have never been more obvious. We believe that a well-capitalized population of community banks, with appropriate regulatory oversight, poses minimal risk to the system or the fund, and would go so far as to encourage discussion of a separate insurance fund for community banks.

We certainly understand the challenges faced by the FDIC in these troubled times, and appreciate the difficulty of the decisions facing the FDIC Board. Additionally, we are grateful for both the open communication throughout this process, and your thoughtful consideration of our comments on this critical issue.

Sincerely,

Lance McDougall
EVP/COO