

From: David Willmann [mailto:dwillmann@llanonationalbank.com]
Sent: Thursday, April 02, 2009 3:43 PM
To: Comments
Cc: Steve Scurlock
Subject: Assessments - Interim Rule - RIN 3064-AD35

FDIC
Re: Assessments-Interim Rule-RIN 3064-AD35

To whom it may concern:

I would like to comment on this interim rule and document my opposition to it. Llano National Bank is a small \$95 million community bank located in the Texas Hill Country.

It seems that a one time .20% assessment (approximately \$176,000 for LNB or 20-25% of estimated 2009 income) causes a small community bank like Llano National Bank to carry a disproportionate share of the burden of replenishing the deposit insurance fund when community banks did not contribute to or orchestrate the financial scenario that has manifested itself in the present and projected future losses to the deposit insurance fund. The losses to the fund to date have by and far come from large banks who participated in the sub-prime mortgage market in some way. Although the "too big to close" banks have not been closed, that fact contributes to the defacto deposit insurance coverage for all the deposits of those large banks without payment of any insurance premium on a large part of the big banks' deposits. This suggests that the manner of assessment of deposit insurance is tilted to the benefit of these large banks when the domestic percentage of their deposits is much less than that of most community banks but the large banks' deposit coverage is much greater than that for a community bank. This also does not factor in the systemic risk associated with the large banks. The disparity in cost and coverage suggests that a deposit insurance premium calculation based upon asset size (with an adjustment for capital) rather than on domestic deposits would be much more equitable.

Obviously, when the bank's bottom line is negatively impacted, which is what will happen with this one time assessment, the bank's capital position is reduced by the same amount. Given the leveraging of the bank's capital at an 8 to 1 basis, every one dollar of capital that is reduced by the assessment will reduce the bank's ability to loan another eight dollars. If an assessment is absolutely imperative, then some means of spreading the negative income effect of this one time assessment over several accounting periods/years, will help the bank's ability to loan additional funds into the economy. However, at a time when the Treasury is encouraging banks to expand their lending, this new assessment seems to be counterproductive in any amount. Furthermore, the expansion of the line of credit to the FDIC from the Treasury could offset the need for any one time assessment now while allowing for a systematic replenishing of the fund over time with bank assessments that have been adjusted to equitably reflect the difference in the risk to the banking system between community banks and the very large banks.

The community banks provide a very significant source of capital for consumers and businesses in the communities that they serve. These banks do this day-in and day-out though out the year. They do not get caught up in the nuances of the latest fad in banking. They participate in the bread and butter of banking, taking care of its customers and fostering the growth, progress and improvement of the community. They are not "too big to close", and they operate with that reality every day as they make their lending and investment decisions. Do they make mistakes? Sure they do, but not in the manner and substance that poses the hazards to the country's financial well being that the country is now experiencing from some of its largest banks and once admired financial institutions. As that is the case, I encourage the powers that be to seriously consider a banking system that differentiates between the community banking arena and the large bank arena. One size fits all no longer works, as our present financial situation demonstrates.

I thank you very much for your consideration of my letter.

Respectfully submitted,
Llano National Bank

David R. Willmann
President