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MEMBER INDEPENDENT BANKERS
ASSOCIATION OF TEXAS

April 1, 2009

The Honorable Sheila C. Bair, Chairman
Federal Deposit Insurance Corporation
Washington, DC 20429

Subject: Assessments, RIN 3064-AD35

Dear Ms. Bair:

By now, you have received thousands of comment letters from irate independent bankers across the nation. I see no need to reiterate all of the myriad objections put forth by my brethren bankers (undoubtedly much more eloquently than I could).

Nonetheless, it is my duty to register my objection and displeasure, and weigh in on the various alternatives open to you in your efforts to rebuild the insurance fund.

By way of brief introduction, we are a nationally chartered, locally-owned Subchapter S bank headquartered in Corpus Christi, a south Texas community of approximately 300,000 citizens. Chartered in 1970, we have grown steadily to our current size of $850 million in assets. We are very proud of the fact that we pioneered the initiative that ultimately resulted in the change in the Internal Revenue Code that allowed banks to elect Subchapter S status in 1997. The benefit of this accomplishment in preserving the viability of community banking in the United States is unquestioned. Not only are we the largest independent bank in our county, we also have the largest deposit base of all the financial institutions in our primary market area, which includes Bank of America, Wells Fargo, Frost Bank and Compass Bank. We are one of the largest employers in our area, and our owners, directors and staff are involved in all facets and levels of the community in the markets we serve. In short, we are the quintessential independent community bank.

We fund our operations entirely by non-brokered core deposits, and have no borrowings other than for minimal short-term liquidity needs. As such, the special assessment will hit us much harder than institutions that fund a substantial part of their balance sheets through borrowings. A 20 basis point special assessment would add $1.5 million to our insurance cost, which is already projected to triple from last year due to the increased basic assessment and the 10 basis point charge for the unlimited guaranty on transaction accounts.

Our total deposit insurance cost with a 20 bp special assessment will approximate $2.8 million (.33% of assets) in 2009, representing almost 25% of projected income for the year. The frightening part of this numerical exercise is that our bank is one of the top-performing banks in Peer Group 3; placing us in the top quartile in Sub S Adjusted Return on Assets for the last three years, and reaching the 86th percentile in 2008. In other words, we can absorb such a burden and remain viable, but what about the banks in the bottom quartile of our peer group?

We obviously recognize the value of FDIC insurance, and the need for the insurance fund to be at an adequate level. However, the pro-cyclical nature of levying special assessments when banks are in crisis is counter-intuitive. We respectfully suggest that all other avenues be thoroughly explored before deciding on the level of any special assessment. We agree with your belief that turning to the taxpayer for funding is not the most desirable course of action. You also have pointed out that you are statutorily prohibited from discriminating against larger institutions in setting assessment levels. Our response to that point is that a great many statutes have been changed, waived, or repealed since this crisis began.

The approach that seems to make the most sense in the short run is for the FDIC to finance the increase required in the fund, with the bonds (or whatever vehicle is chosen) to be repaid over a period of years from increased insurance assessments over a number of years, like the FICO bonds that we used to recover from the last major banking crisis. All banks, not just community banks, represent a captive market for you. Those of us that survive will always need FDIC insurance, and you get to set the rates, so repayment would not be an uncertainty. **What is uncertain is how many banks will not survive this assessment if they are forced to absorb the cost in one year.**

Alternatively, if you would formally posit that the special assessment is in lieu of, or at a minimum would reduce increased assessments in future years, then the accounting profession would probably allow us to amortize the assessment over the five or seven years which you have to rebuild the fund.

In summary, we respectfully request that you seriously consider alternatives that rebuild the insurance fund in ways that minimize the impact on banks in general, and community banks in particular. Further, that you find creative ways to allow banks to spread the financial impact (particularly to Capital) over as long a period as possible in order to ensure the survival and stability of the traditional banking model in the United States.

Respectfully yours,

Alfred B. Jones

Alfred B. Jones, President and
Chief Executive Officer