From: Independent Bankers Association of Texas [mailto:ibat@ibat.org]
Sent: Monday, March 16, 2009 11:38 AM
To: Comments
Subject: Assessments - Interim Rule - RIN 3064-AD35

March 16, 2009

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:

The Independent Bankers Association of Texas, representing over 2000 community banks and branches in Texas, appreciates the opportunity to comment on this proposal.

Our Board of Directors met earlier this month, and discussion of this issue dominated the agenda. Additionally, having been in the association business for some 30 years, I cannot recall an issue generating more banker calls and contacts with our office.

Texas community bankers are frustrated, anxious and mad. You will recall that we 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 a vast majority of the community bankers in this state survived those turbulent times, and consequently have since followed prudent, conservative banking practices.

Texas community banks neither participated in nor profited from the absurd excesses that so significantly contributed to the present economic malaise. With that said, they are still paying a heavy price, with increased deposit insurance premiums, stressed real estate markets, rising unemployment, an 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, there is little appetite among our members to be 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 the Congress looking to expand the FDIC borrowing authority from 30 billion to 100 billion which would perhaps reduce the FDIC 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. When extrapolated across the country among some 8,000 community banks, this will no doubt have a detrimental impact on lending activity throughout our nation. What sense does that make at a time when we need to be encouraging lending activity in this economy?

- 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 some very real challenges to many of our historically well run community banks. 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 downturn. We have argued for years that the "too-big-to-fail" banks receive greater value for their FDIC premiums. It would appear to be time to recognize that inequity.
    - A "systemic risk" premium should strongly 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. If 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,

Christopher L. Williston, CAE
President and CEO

cc: Ms. Sheila Bair, Chairman, FDIC