From: Deborah Parrish [mailto:parrishd@lonestarnationalbank.com]
Sent: Wednesday, March 25, 2009 3:52 PM
To: Comments
Cc: sscurlock@ibat.org
Subject: Assessments - Interim Rule - RIN 3064-AD35
Importance: High

RE: PROPOSED INTERIM RULE RIN 3064-AD35 BY THE FEDERAL DEPOSIT INSURANCE CORPORATION ("FDIC"), PURSUANT TO 12 CFR PART 327

As you know, the banking system of the United States is a key component of the financial stability of our nation. The Federal Deposit Insurance Corporation has been a key component of the banking system and both have come under intense pressure brought about by the alternative mortgage, which has caused a financial crisis leading to a recession. We know that the safety of the banking system is critical to our nation and that the recession has caused the Deposit Insurance Fund ("DIF") to fall to an all time low at .40 percent as of December 31, 2008 from 1.19 percent as of March 31, 2008.

Our deposit insurance premiums had increased from $680,000.00 for 2007, to $1,000,000.00 in 2008 and the FDIC advised us that our premiums would increase to $2,000,000.00 for 2009. On February 27, 2009, we were advised of an amendment to restore the DIF by imposing a special assessment on insured deposits of 20 basis points equating to an additional $2,900,000.00 on top of the 2009 premium of $2,000,000.00, for a total of $4,900,000.00, representing an increase of $3,900,000.00, or 390%.

The 2008 premium represented 6.9% of our net income for 2008. The proposed combined premium of $4,900,000.00 represents 29.5% of our projected 2009 income. We are a well capitalized institution and have enjoyed component ratings, putting us at the highest or second highest ratings for the last fifteen (15) years. Furthermore, we enjoy a Tier I Capital ratio of 9.55% and a Risked Based Capital Ratio of 15.13% as of December 31, 2008. During the course of 2008, we contributed to our community by growing loans by 10.73% and deposits by 13.92%, representing over $100,000 Million in each case.

We appreciate House Bill 1105, without Section 626, which we understand has passed the House and is being sponsored in the Senate by Senator Christopher Dodd as Senate Bill #541, expanding the FDIC's borrowing authority to $100 Billion and making permanent an amount of $250,000.00, per depositor, in FDIC insurance coverage.

Even this support, which allows the FDIC's Line of Credit with the Treasury to be increased from $30 Billion to $100 Billion, would only reduce the special assessment by ten (10) basis points, which still equates to $1,450,000.00 additional expense to us for 2009.

The special assessment would decrease our earnings, thereby also reducing our capital and the ability to lend and even to grow in order to continue to support our community. We are not opposed to increasing the FDIC premiums, but oppose the special assessment in the manner presented.

We recommend that the special assessment be weighted toward the following:

A. Banks with lower capital ratios or high risk profiles;
B. The largest multi-national banks investing core deposits in derivatives and higher risk investments or swaps;
C. Banks taking Troubled Asset Relief Program ("TARP") funds;
D. If assessed to community banks with sound lending programs that are growing, the assessment should be over a longer period of twenty-four (24) to thirty-six months.

On a separate topic, the deepening recession has already placed significant regulatory pressure to adversely classify assets that are still performing and write down assets at a time when not all value impairment is permanent. The most troublesome of these is the market-to-market issues. These take into consideration two (2) types or risk inherent in investment portfolio, credit risk and interest rate risk. If categorized as available-for-sale at the time of purchase to enable flexibility to manage future credit and interest rate risk issues, they are subject to adjustments to reflect market value changes month-to-month. The fault is that they take into consideration the asset (the investments), but not the liabilities that funded them. Generally, if the value of an investment is falling because rates are climbing, the liability to fund them is generally also fixed, thereby increasing the market value of the deposit (liability) used to fund the investment. In today's volatile and panic stricken markets, the value of even government backed credit is being driven lower, thereby reducing the capital of the banks due to market depreciation, which is unrealized, and limiting their ability to grant more loans or even to grow.

This unrealized depreciation could be used to fund our economic recovery without a hard cost to our government. Once regulators could still have banks track and report this number and consider the unrealized effect in determining bank ratings.

Your kind attention to these matters affecting our industry are critical to an economic recovery and if not corrected will affect each and every constituent with a higher cost for banking services, lower rates on deposits, and higher rates on loans to offset these costs. Please allow me to clarify that community banks did not cause this crisis and we are simply taking the course of action necessary to support our government in achieving an economic recovery as soon as possible.

Yours very truly,

A. Jabier Rodriguez Chief Executive Officer