



First National Bank

ROZAN FRANKLIN
President & Chief Executive Officer

November 3, 2008

Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: FDIC Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am the President & CEO of First National Bank, with locations in Wichita Falls and Southlake, Texas. Our bank has \$227,127,000 in assets in 3 branch offices. On October 16, 2008, the Federal Deposit Insurance Corporation (FDIC) issued a Notice of Proposed Rulemaking (the "Notice") proposing significant changes to its deposit insurance assessment regulation. The Notice invites interested parties to submit comments and, on behalf of First National Bank, I welcome the opportunity to provide our views.

We are concerned that the proposal does not differentiate CDARS Reciprocal deposits from traditional brokered deposits, and believe that the factual differences support the FDIC's exclusion of CDARS deposits from the definition of brokered deposit for purposes of the adjusted deposit ratio and the brokered deposit adjustment.

The Certificate of Deposit Account Registry Service (CDARS) is a service that enables us to provide our customers with FDIC-insured certificates of deposit through the CDARS network. When one of our customers deposits a sum of money greater than \$250,000, we place the excess funds into certificates of deposit issued by other banks in the network. Our bank relies on CDARS deposits as a stable source of core funding.

The reasons for charging a higher assessment on brokered deposits do not in any way apply to CDARS deposits. In particular, we have been able to consistently raise funds through CDARS at costs lower than the costs of traditional brokered deposits. Consequently, we have no reason to pay higher interest rates to customers with CDARS deposits than the rate that prevails in our local market. In all cases, these are the same customers that have been banking with us for years. The CDARS program simply allows us to offer these customers Federal deposit insurance on large dollar deposits. CDARS deposits are therefore no more costly than other stable sources of funding.

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CDARS deposits do not exhibit the characteristics that justify the FDIC's increased assessment rule for brokered funds.

As far as we can determine, the Notice does not provide any reason for categorizing CDARS deposits as brokered deposits, other than CDARS Reciprocal is reported as brokered deposits in call reports. We would be happy to report CDARS Reciprocal deposits separately on call reports.

For the above reasons, we believe the FDIC should exclude CDARS deposits from the definition of brokered deposit for purposes of the adjusted deposit ratio and the brokered deposit adjustment. Further, we call on the FDIC to amend the definition of brokered deposits, as it is currently used in the Federal Deposit Insurance Act, once and for all, so that CDARS deposits are accurately categorized as the stable source of funding that they are as core deposits.

We appreciate the opportunity to comment on the FDIC's proposed regulation.

Sincerely,



Rozan Franklin
President & CEO

cc: Sen. John Cornyn

517 Hart Senate Office Building
Washington, DC 20510

Sen. Kay Bailey Hutchison

284 Russell Senate Office Building
Washington, DC 20510

Rep. Mac Thornberry

2457 Rayburn House Office Building
Washington, DC 20515