



## **CROSBY STATE BANK**

*Established 1913*

March 12, 2009

Robert E. Feldman  
Executive Secretary, FDIC  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Subject: Opposition to RIN 3064-AD35: Proposed FDIC Special Assessment pursuant to 12 CFR Part 327

Dear Mr. Feldman:

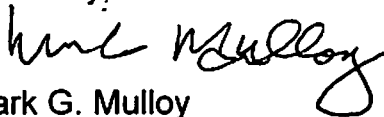
Crosby State Bank did not participate in the sub-prime mortgage market nor did it originate any credit default swaps. The only real estate loans it made were to well established credit worthy borrowers, in fact those are the only borrowers the bank made loans to. For years Crosby State Bank has gotten only the highest ratings by both Federal and Texas State bank examiners. Crosby State Bank has paid Federal State and Local taxes and been a responsible corporate citizen in the community it serves, East Harris County Texas. The Bank has contributed tens of thousands of dollars to charities and community events of every description. It employs over 120 local residents and pays the majority of the health insurance cost for those 120 families. Among the costs the bank pays is the insurance premium paid to the FDIC, which in the past 12 months was approximately \$200,000. This amount is a good deal more than some of my most senior officers are paid, but it is a cost of doing business and budgeted and planned for.

I now learn that the FDIC is proposing an additional "assessment" for the next quarter of over 3 and a half times that annual amount in addition to the regular assessment which has approximately doubled on its own. I am told this payment could easily exceed \$800,000 for the assessment due on September 30<sup>th</sup>! This is a staggering sum for a bank of this size and in this economy to expense. It could equal half of this year's earnings. Crosby State Bank's earnings have already suffered a downturn, NOT because of questionable loans. In fact the opposite is true, this bank did not follow the herd into the real estate loan market. We serviced all the legitimate credit needs of our customers and have a large part of the bank's assets in very short very low paying risk free investments. The market will eventually recover and Crosby State Bank will be then position to fund the credit needs of its community once the economy begins to expand. But risk free investments pay small fraction of what loans pay.

With this massive payment hanging over the Bank I am forced to look to costs to try and protect the bottom line. Employee staffing and benefits are just the starting point. Charitable contributions, the interest rates paid on deposits and community participation will all have to be reviewed with an eye to reducing costs. Assuming even reasonable risk in the loan portfolio may prove hard to justify. Like increasing taxes; taking money out of the private sector to put in the public sector retards economic growth which will further weaken banks creating downward spiral. At some point banks will be declared insolvent because they can't pay the FDIC assessment.

Having said this I believe the insurance fund should remain strong, I simply think that these assessments should be timed to when the banks are making record profits not record losses. The suggestion that the FDIC borrow the money it needs and repay it from future premiums appears to be much better counter-cyclical approach to the problem.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark G. Mulloy". The signature is written in a cursive, flowing style.

Mark G. Mulloy  
Chairman of the Board