March 5, 2009

Federal Deposit Insurance Corporation
C/O Comments@FDIC.gov
Washington, DC

RE: Special Assessment for recapitalization of DIF

First of all, thank you for allowing me to comment on the proposed special assessment voted for approval by the FDIC this past week.

I have been associated with community banks, or in financial services in Texas for over 42 years. I have either been an officer or a shareholder, and I survived the 1980's, so I have seen the highs and the lows of our industry, and I remember the irresponsible lending practices of the S&Ls and some banks during those times, and fought to keep my bank in Azle, Texas afloat during those times. I have since been involved with two other community banks since 1992, and we have been very involved in our communities, providing funding for special projects, funding for municipalities, and generally helped the communities where our banks where chartered. After continuing to operate our community banks in a responsible and productive way, even under the extraordinary cost and burden of the same regulatory compliance as banks having billions of dollars at their disposal, here we are facing yet another prospect of being punished for a deed we not only didn't participate in, but could do nothing to control. Except this time it's different – we must watch helplessly while, on a daily basis, banks with whom we compete, like Citibank and B of A, get billions of OUR TAX DOLLARS as a handout for making bad decisions and that still isn't enough. Now the FDIC wants to remove even more capital from the banking system by this onerous and burdensome special assessment and continued increase of the assessment rates ON ALL BANKS! What sense does this make? Community banks are getting hit from every angle. The corporate tax structure coming under the new administration will, no doubt, hit our industry hard; margins are already shrinking to a point that has greatly impacted our bottom lines due to the greed and mismanagement of Wall Street banks that <u>had all the powers of a "real bank" but none of the oversight</u>; the hard working people whom we serve are losing jobs and value in their retirement accounts and property to the point they can't repay their loans so community banks are seeing their loan losses increase. <u>AND WE HAVE PLANNED FOR THAT SCENARIO AND HAVE INCREASED OUR LOAN LOSS RESERVES ACCORDINGLY (FROM ALREADY IMPAIRED EARNINGS) WHILE NOT ASKING THE GOVERNMENT FOR A THIN DIME!!!</u> And the final blow came on Friday with the announcement of the FDIC vote to assess all banks a 20 cent per $100 insurance premium on top of the dramatic increase in the assessment rate that we are still trying to figure out how we are going to pay. For the $80 million bank for whom I work, and also own stock in, this means we write a check for $140,000 which translates to 18% of our projected AFTER TAX earnings for this entire year! Along with our quarterly assessment, that would mean that my Bank would pay the FDIC in excess of $270,000 during 2009 (against a budgeted income of $800,000). Surely the FDIC can see how this action will dangerously impact the franchise value of community banks as well as the viability of the customer base that we serve.

As an officer and shareholder of our bank, that did not take (nor did we want) TARP money, this proposed FDIC action is a slap in the face of prudent and sound management. It's not like we didn't see higher assessment rates coming when the proposal to raise FDIC coverage to $250,000 was passed in connection with the FIRST bailout package. The general public may have seen this as a gift from the government, but we bankers knew who would pay the freight on that one. But honestly, I NEVER could have imagined the magnitude of the disproportionate share that community banks would be forced to bear. What would be wrong with the Treasury taking some of the money it is throwing at AIG, Citi and B of A and replenishing the DIF? Or, assess the banks that took TARP money and let those of us that said "no, thanks" get on with our plan for weathering this economic storm we have been thrown into. The "too big to fail" issue has always been a stigma for community banks…and, yes, "we get it." We are not, individually, big enough to cause a ripple in the economy or for that matter, in Washington. But as a cohesive unit, we are. And this proposed assessment will, without a doubt, be a caustic blow to our sector of the banking industry as a whole.

Extraordinary circumstances demand extraordinary actions and I understand implicitly that we are in extraordinary times – uncharted waters; which is why I am asking the FDIC to consider the consequences of this proposed action. The question that now begs an honest answer is this: Is the money needed to replenish the DIF actually more than a drop in the bucket to the national debt being created to bail out the big guys that are responsible for this mess? I hope you will reconsider your approach to solving this dilemma and give the community banks a needed break.

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