

Congress of the United States
Washington, DC 20515

March 27, 2009

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bair:

Considering the current state of the economy, we have concerns about the impact on community banks from the FDIC Board's proposal to levy a special assessment of up to 20 basis points later this year, with the possibility of a further assessment of an additional 10 basis points. We have also heard concerns from many community bankers throughout Texas. While they support a sound insurance fund, they also want the FDIC to know the impact these assessments will have on lending in Texas and ensure the FDIC has considered all alternatives.

Community bankers we represent have advised us of the potential earnings and capital impact on their financial institutions and, more importantly, the resulting loss of funds necessary to lend to small business customers and consumers in Texas. Our community banks estimated that assessments on Texas banks, if implemented as proposed, will remove nearly \$1 billion from available capital. When that amount is leveraged, it results in \$8 to \$12 billion that will no longer be available for lending activity throughout Texas alone. At a time when responsible lending is critical to ameliorating the recession, this sort of reduction in local lending has the potential to extend our economic recovery unnecessarily.

The vast majority of community bankers in our Districts and throughout the country did not participate in the irresponsible lending that has led to the erosion of the FDIC fund. Community banks in our district are the lifeblood of the communities they serve. We believe they can help stimulate our economy back to health if allowed to do as they have always done, looking after the needs of local citizens and communities.

We are aware of your statements that any special assessments banks may be reduced to roughly half (10 basis points) should Congress provide the FDIC an increase its current Treasury borrowing authority from \$30 billion to \$100 billion. Recognizing the importance of protecting the deposit insurance fund, the House of Representatives has already acted to provide this authority. While this is a positive step in the right direction, we also ask the FDIC Board to consider a full range of alternatives that could also help sustain the balance of and confidence in the insurance fund.

Community banks in Texas have suggested the following alternatives to us:

- Base assessments on assets with an adjustment for capital rather than total insured deposits;

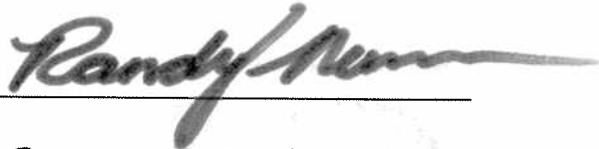
- Impose a systemic risk premium, which would place a heavier burden on financial institutions that pose the greatest risk to the deposit insurance fund;
- Use a combination of the line of credit and a reduced or postponed special assessment; or
- Allow banks to amortize this new expense over several years.


We appreciate your efforts and your resolve to ensure that the FDIC fund is properly funded and fiscally sound in order to assure consumers that their funds are protected up to the prescribed limits by the full faith and backing of the United States government. We agree it is imperative to maintain consumer confidence in our banking system, and sound deposit insurance is the cornerstone of their confidence level.

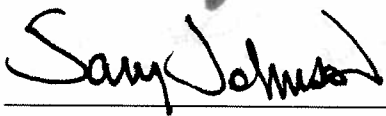
These are unprecedented times which call for unprecedented measures. As such, we believe there are a number of options available to you to ensure the fund's stability while minimizing the impact on community banks' ability to keep money working in communities throughout Texas.


Thank you for the opportunity to weigh in on this important issue.

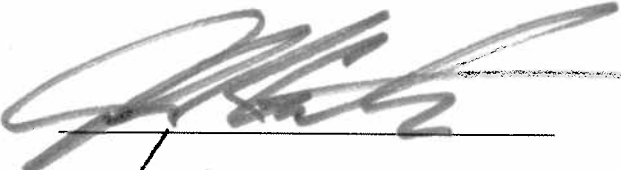
Sincerely,

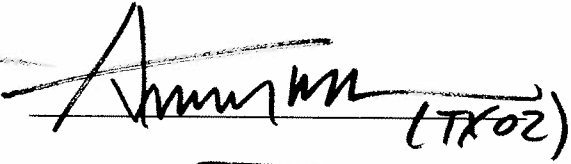





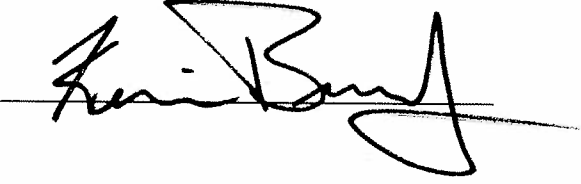












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