

JOHN CORNYN  
TEXAS

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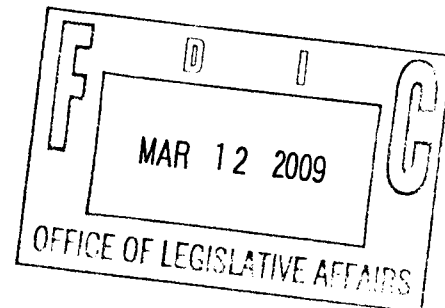
# United States Senate

WASHINGTON, DC 20510-4305

March 10, 2009

Federal Deposit Insurance Corporation  
550 Seventeenth Street, NW, Room 6076  
Washington, District of Columbia 20429

Fax: (202)-898-3745



**Re: Mr. W. Don Ellis/ 2 pages to follow**

My constituent has sent the enclosed communication. A response which addresses his/her concerns would be appreciated.

Please send your response to the following address:

Office of Senator John Cornyn  
Occidental Tower  
5005 LBJ Freeway, Suite 1150  
Dallas, Texas 75244-6199

ATTN: Diana Palacios  
(972) 239-3453  
(972) 239-2110 (Fax)

E-mail: [Diana\\_Palacios@cornyn.senate.gov](mailto:Diana_Palacios@cornyn.senate.gov)

Enclosure



MAR 06 2009

March 4, 2009

Senator John Cornyn  
5005 LBJ Freeway, Ste 1150  
Dallas, TX 75214-6199

Re: **FDIC to Charge 20 Basis Point Special Fee - Agency will also raise regular Premium rates by nearly 100%: American Banker, 2/27/09 by Joe Adler**

Dear Senator Cornyn,

As you know the FDIC has announced plans to assess all commercial banks a special fee after recently increasing the regular annual assessments by nearly 100%. ***I implore you to stop or postpone this plan.***

The state of our national economy has placed the entire commercial banking industry in the worst condition seen since the great depression. ***Commercial Bank earnings declined 84% during 2008*** (Source: *FDIC Quarterly Review*), the largest decline in history, due to:

- abysmal asset quality driven by the collapse in real estate values; and
- severe net interest margin deterioration caused by an unprecedented historical decline in interest rates. (With billions of dollars in fixed rate Certificate of Deposits, our nations' banks couldn't react quickly enough for this unexpected and never before seen interest rate decline).

The nearly 100% increase in FDIC insurance premiums in 2009 along with **this one-time special assessment is a calamitous burden** for an already battered industry. Please consider the following:

- In 2008, the sum total of all ***FDIC insurance premiums was: \$3 billion for the entire industry. In 2009, the FDIC plans to assess the industry more than \$27 billion, a 900% increase in one year.***
- The 20 basis point special assessment alone could be up to 50% of 2009 gross earnings for our nations' profitable banks as bank profits are so low. For unprofitable banking institutions, this one-time assessment ***will threaten their very existence and could become a major destabilizing event for our economy.***

Patriot Bank is profitable, strong and responsible for creating 200 new jobs in its last four years of operation. Our profits could be severely impaired if this fee is assessed as

planned. This fee will cost us between 40% and 50% of our total 2009 profits which represents millions of dollars that could otherwise be used to create new jobs or stimulate our local economy. In addition to this proposed fee, our normal annual FDIC Insurance Premium now exceeds \$900,000 annually up from \$500,000 in 2008. Essentially, the FDIC will take from 40% to 50% of our 2009 profits. ***Most banks will have to reduce jobs in order to cover this cost that cannot be passed on to our customers.***

**In short, the FDIC assessment and increase in fees will only harm the lives of all Texans! It will force banks to *reduce lending*, decrease deposit rates, minimize local vendor spending, and *reduce new job creation*. It will severely curtail the industry's ability to impact our national economic recovery. This plan is bad for all Texans, disastrous to our country's banks, and detrimental to the national economy. ***Even if this fee is reduced to 10 basis points it could cause irreversible damage to this critical industry!*** ***Please contact the FDIC and stop this assessment.*****

Respectfully,



W. Don Ellis  
Chairman & Chief Executive Officer  
Patriot Bank  
Houston, Texas