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October 27, 2009

VIA EMAIL: Comments@FDIC.gov
Robert E. Feldman, Executive Secretary
Attention: Comments,
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429.

Re: Prepaid Assessments; RIN 3064–AD49

Dear Mr. Feldman:

The Independent Bankers Association of Texas, a trade association representing some 2,000 community banks and branches, appreciates the opportunity to comment on the Board's proposal to restore liquidity in the Bank Insurance Fund by collecting a prepaid insurance assessment of multiple years.

Let us say at the outset that we believe the industry should be taking the responsibility for restoring the fund to healthy levels. The difficulty and dilemma faced by the industry in these tough economic times is finding a balance between restoration of the fund and further deployment of capital so vitally needed in local communities to assist consumers and small businesses. With that said, we are pleased the Board is not proposing additional special assessments at this time. A method using prepaid premiums that can be expensed over multiple years is much preferred.

Community bankers in Texas have grown weary of the constant special treatment afforded too-big-to-fail banks. As such, we ask that the Board consider two possible changes to the prepaid assessment option to more fairly reflect risk to the Deposit Insurance Fund. First, consider levying a special systemic risk premium against the so called "systemically important" banks. And second, use the same assessment base for the prepayment calculation that was used for the recent special assessment (i.e., total assets minus tangible capital). The Board should be reminded that it is the impairment of assets of insured banks that deplete earnings and capital, not deposits.

In addition, we urge the Board to apply a significantly lower projected deposit growth rate (<5%) for community banks. In this low interest rate and highly competitive environment, community banks have had difficulty attracting deposits. It is particularly difficult as community banks attempt to compete with government assisted financial institutions who have severe liquidity needs and continue to pay above market rate for deposits. Additionally, profitable deployment of deposits, especially given the increased costs of federal deposit insurance, continues to be a disincentive for community banks to seek growth in these challenging times. Also, it is safe to say that in this environment, regulators are demanding increased capital levels which are forcing many community banks to shrink deposits, not grow them. Further, regulators should operate under a mandate to not unfairly criticize bank management for capital levels that may be impaired by virtue of any special assessments or prepaid premium assessments.

Finally, it appears that there is some disagreement in the accounting industry as to whether or not Subchapter S banks, because of their unique accounting practices, can prepay a multiple year assessment and then expense that assessment over multiple years. It is extremely important that any final rule adopted by the Board not create any unintended hardship on our nation's nearly 2,500 Sub S banks, (over 10% of those banks are in Texas). The Board must bring clarity on this important issue.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Christopher L. Williston

Christopher L. Williston, CAE
President and CEO

CLW/iti

cc: Members, U.S. Senate Committee on Banking, Housing, and Urban Affairs
Members, U.S. House Committee on Financial Services