



CITIZENS NATIONAL BANK

March 23, 2009

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C 20429

RE: Assessments, RIN 3064-AD35

Dear Mr. Feldman:

Thank you for the opportunity to comment on the FDIC's proposed special assessment. Not only am I writing you, but I just returned from Washington as well. I told members from Texas on the Financial Services Committee of the House and Senator Hutchison that the 20 basis point assessment would cost our bank \$1.4 million and reduce our capacity to lend by \$11 million. I asked their support to increase your credit line to cut our assessment. Better still, no assessment now, but issue bonds or borrow and let us replenish the fund over time.

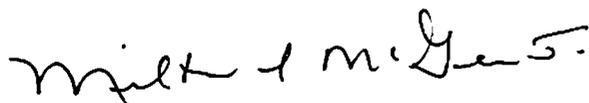
As Chairman of the Independent Bankers Association of Texas, I had input in our President, Christopher Williston's comment letter and strongly support it. I will sum up the same options we feel will serve you and community banks:

- It seems somewhat counterintuitive to take away capital from those very banks who continue to lend to their local consumers and businesses. As we all understand leverage, each dollar spent elsewhere equates potentially to some \$8 in loans to generate economic activity that simply will not happen. When extrapolated across the country among some 8,000 community banks, this will no doubt have a detrimental impact on lending activity throughout our nation. What sense does that make at a time when we need to be encouraging lending activity in this economy?
- Given the strains on earnings already in play, this special assessment will be especially painful. As discussed previously, shrinking net interest margins created in part by federal government intervention, increased loan loss provisions, extremely low interest rate environments and increasing costs have created some very real challenges to many of our historically well run community banks. Adverse consequences include curtailment of contributions to local charities, cutting back on employee training, delaying or canceling expansion plans and even staff reductions in some instances.

- The FDIC Board has no doubt weighed the options of expanded borrowing authority through the Treasury as well as creation of some type of debt instrument. The FICO model may have some efficacy, as could a special issue of debt purchased by the banks, and should be considered as an option to a special assessment.
- If a special assessment is unavoidable, several options, or combinations thereof, could potentially mitigate some of the damage to the community banking industry.
 - An assessment based upon assets, with an adjustment for capital, would rightfully place more of the burden on those who have more culpability in this current economic downturn. We have argued for years that the “too-big-to-fail” banks receive greater value for their FDIC premiums. It would appear to be time to recognize that inequity.
 - A “systemic risk” premium should strongly be considered, both for this pending special assessment as well as ongoing FDIC premiums.
 - An ability to amortize this extraordinary expense over several years would be most helpful. If FASB has an issue with this, Congress can clearly override, and should do so.
- Finally, the FDIC Board as well as Congress should seriously consider the “bifurcation” of the industry to recognize the ever-widening chasm between community banks and the money center and super-regional financial services conglomerates. The distinctions between these two divergent groups have never been more obvious. We believe that a well-capitalized population of community banks, with appropriate regulatory oversight, poses minimal risk to the system or the fund, and would go so far as to encourage discussion of a separate insurance fund for community banks.

Thanks again for the opportunity to respond to your challenges, as well as ours.

Sincerely,



Milton S. McGee, Jr.
President and CEO
Henderson Citizens Bancshares, Inc.
Chairman
Independent Bankers Association of Texas

cc: Senator John Cornyn
Senator Kay Bailey Hutchison
Congressman Louie Gohmert