

Texas Department of Banking

Press Release

Stressing the Importance of Federal Programs to Strengthen the Economy

Date: October 27, 2008

To: Chief Executive Officer

The purpose of this letter is to emphasize the importance of recently announced Federal initiatives, designed in part to reinstall confidence in our country's financial system through strengthening the capital and liquidity positions of the country's banking organizations.

In this regard, the Department strongly encourages the Board of Directors of each state-chartered bank to evaluate the merits of these federal programs for their institution, and immediately submit an application if it is decided to be in the best interest of the bank. The highlights of these programs are detailed on the attached pages. However, because final guidelines continue to evolve, please check the website of the primary federal regulator for the latest information.

In considering whether one or more of these programs is right for your bank, your Board should evaluate: the institution's ability to qualify; anticipated benefit(s); business plan objectives; reputational perception; competitive advantage or disadvantage; and other alternatives to name a few. Texas state-chartered banks are also reminded of the provisions of the Texas Finance Code, §32.103, which requires the prior written approval of the Banking Commissioner to issue common and preferred stock. The Department intends to handle applications to issue additional preferred stock related to the Capital Purchase Program on an expedited basis and will waive the fees associated with these applications. ***If you decide to make an application under any of the Federal initiatives, including opt out notifications, please send a copy of the applicable correspondence to the Department at 2601 N. Lamar Blvd., Austin, Texas 78705.***

Further, banks that have elected Subchapter S status and privately held banks should not assume that they will not be eligible for participation the Capital Purchase Program and should consider filing an application if decided to be in the best interest of the bank. According to representatives of the FDIC and Federal Reserve, the nature of the plan for these institutions may change from one of a preferred stock sale to another structure to comply with Subchapter S requirements. Again, please check the websites of the FDIC, Federal Reserve, or Department of the Treasury for updated information.

The Department supports banks participating in these programs. If you have any questions about this letter or the federal programs described, please contact Dan Frasier at 512-475-1368.

Sincerely,
/s/ Robert L. Bacon
Robert L. Bacon
Interim Banking Commissioner