

Invited Testimony of

Jeff Austin III

Vice-Chairman, Austin Bank Texas, NA, Jacksonville, Texas
Chairman-Elect, Texas Bankers Association

Before the

The Sub-Committee on Financial Institutions and Consumer Credit
United States House of Representatives

January 21, 2010

Invited Testimony

U.S. House of Representatives The Sub-Committee on Financial Institutions and Consumer Credit

By

Jeff Austin III

**Vice Chairman, Austin Bank Texas, NA, Jacksonville, Texas
Chairman-Elect, Texas Bankers Association**

Good morning Mr. Chairman and fellow Committee members. My name is Jeff Austin III and I am Proud to be a Banker!

I am Vice Chairman of Austin Bank Texas, NA which is a community bank in East Texas with 28 locations and \$1 billion in assets. I am also affiliated with three other banks, First State Bank of Athens, Texas (\$330 million in assets), First State Bank of Frankston, Texas (\$145 million in assets) and Capital Bank outside of Houston, Texas (\$230 million in assets). Each bank was profitable last year because of a great team we have in place and because we did not take excessive risk on our balance sheet. In addition to my bank duties, I am also Chairman Elect of the Texas Bankers Association. The TBA is one of the largest State Associations in the country with over 600 members composed of FDIC Insured depository institutions of all sizes with the majority being community-minded traditional banks. 85% of all the banks in Texas are members of the Texas Bankers Association and they comprise approximately 95% of the assets in the State.

It is an honor to be before you this morning as our Country tries to make sense of a financial debacle and out of control perceptions of what has happened and is happening to our country's banking system. I share my perspective with you this morning as a fourth generation banker, whose family and related institutions have survived many economic cycles. In 2009, our family celebrated 100 years in the Texas banking industry.

My first message is stated simply this:

"I am proud to be a Banker and Please, and Do not shoot the survivors!"

This theme is an underlying and frustrating tone among the thousands of traditional and community minded and traditional banking entities and hundreds of thousands of employees, all across the country. It is important for the purposes of my comments that we separate a traditional bank from the FIGS (the new name for investment Banks -Financial Institution Groups). The investment banking activities of some Wall Street giants, that are sometimes loosely referred to as banks, and the shadow banking system which includes many non traditional banking activities have been inappropriately blended with the activities of banks like ours.

One of the issues of today's hearing is the closure of FBOP and its subsidiary banks. One of our related banks contacted the FDIC to attempt to bid on one of the single banks in Texas and we were discouraged since the FDIC wanted to sell all the banks in the Holding Company to a single purchaser. This discouraged local and area banks who know the customers and the region from submitting a bid. The ultimate purchaser then sold three Texas banks to another Texas based institution.

Community banks, traditional banks, are perplexed by regulatory practices that often seem to disadvantage us and favor much larger institutions or even non-banks, making it harder for us to serve our communities. We are also negatively impacted by public attitudes, often fed by less than careful reporting in the media that in practice harm our ability to serve our customers and communities. I will discuss some examples in my remarks.

Let me turn to an example of lending issues. **There seems to be a populist view that banks are not lending and do not want to lend.** This is like saying McDonalds does not want to sell Hamburgers. My bank is still in business, as are many of my colleagues throughout the country, because our doors are still open to lending and because we follow the injunction to make good loans, with a good likelihood of repayment. My grandfather reminded customers that there is a preamble to every promissory note: "I do hereby promise to repay."

While many small businesses and consumers are faced with declining credit scores, loss of jobs, loss of income and declining collateral values, banks still are statutorily required to make prudent lending decisions to protect the safety and soundness of the bank and the Deposit Insurance Fund. When a bank goes out of

business, it provides no more services to its customers. Staying in business means earning a profit and continuing to serve our communities because we make a profit.

It seems, however, that bank regulation, economic forecasts, and the general attitudes in the public are almost intend to make banks scared to lend money. Our shareholders get nervous when the examiners get nervous. Overregulation and aggressive enforcement actions by regulators and new costly mandates by Congress are- intentionally or not- are directly affecting the ability of banks to do what they were created to do – loan money and provide other important financial services in their communities. Traditional banks are the cornerstone in every community and in the Nation’s economy.

The banking industry has been hit by the recession, no doubt about it. Over 140 banks failed last year, and the FDIC predicts that the situation this year could be equally grim. But regulatory action can make it harder for the survivor banks to do their jobs. Today, the survivors are being shot. With the proposed new bank tax, increased FDIC insurance premiums, excessive regulations and far reaching practices by many of the regulatory agencies that make decisions above stated regulatory minimums – such as dramatically higher capital requirements, harsh valuation requirements on performing loans (the return of the non-performing performing loan that made the 1990s credit crunch famous) and the like—these practices are feeding a potential credit crunch that we as community bankers are working hard to avoid. All banks struggle to achieve profitability in such uncertain times.

I have been exposed to recent exams from the OCC, the Federal Reserve, the FDIC and the Texas Department of Banking. While there are a lot of similarities, there are many differences from what is said in Washington DC and the interpretations we face from local and regional examiners. No examiner or agency wants to be caught not enforcing consumer protections or stated regulations because of the real fear of criticism from the Inspector General’s Office.

This problem is reinforced because of the forensic exams performed after banks have been closed by the FDIC. Specifically, we can point to the valuation of real estate. For example, if a loan has been performing and paying as agreed for a few years and was a “PASS” or satisfactory credit in previous exams, the post-closure

valuation is drastically different. Bankers and investors alike have shared stories that the FDIC is requiring an immediate liquidation value to be applied which further deteriorates an institution's values for its 1-4 family and commercial real estate portfolios. The examiners are then using those distressed valuations to apply to the other performing loans resulting in banks being required to allocate additional and unnecessary reserves for subjective valuations. Appraisers have no choice but to use those appraisals as "comps" which hurts even healthy properties. This factor alone is one of the main detractors from banks wishing to make loans in their community.

Restated: over regulation and aggressive stances by regulators are resulting in distressed earnings among the traditional banks. Coupled with the large FDIC insurance premiums collected from the "survivors," which lowers an institution's liquidity position, a bank's capital position also comes under increased risk and pressure which takes away from the ability to make loans. The real heartbreak is when a customer is asked by their bank to pay down the loan to meet the new valuation, or put up additional collateral to reduce the over loan-to-value to the new valuation amount. This comes at a time when our borrowers and homeowners cash reserves and liquidity depressed. If this continues, it will be a death spiral that will be hard to reverse.

In the next couple weeks when you go back home, may I encourage you to visit with the bankers in your district to validate these same concerns. Let them tell you their stories in their own words.

Banking is, and always has been, at the foundation of our economy. Banks that believe in small businesses want to invest in new technology, expand their locations or invest in new equipment, etc. Bankers will continue to believe in small businesses and invest in them. In return, the multiplier effect of their investments creates jobs within their community. One of my colleagues has just committed to loan \$6 million to construct a manufacturing facility that will create 350 jobs in Texas.

I would like to turn to the shadow banking system, and its impact on traditional banking. In recent decades, the auto industry created financing arms that created special incentives-including such products like "zero-percent financing" offers (where at least in some cases the credit buy down was paid for in the price of the

cars)— to move and sell the products from their manufacturing units. All too often, many people qualified for loans that they normally could not. These large captive finance companies like GMAC, Chrysler Credit and Ford Motor Credit assumed larger risks, but in doing so also took away some of the “bread and butter” consumer loans from traditional banks. I might point out that in recent months TARP money has been channeled to automotive financing to keep this unfair practice going, a practice which the Administration is now proposing that the banking industry pay for.

I bring this up because many in the housing industry created in-house finance operations by working with the shadow banking industry to create low teaser-rates and adjustable rate and hybrid mortgages for consumers who could not otherwise qualify for a loan through a traditional bank. Their financing units in many cases sold loans in packages to Freddie (FHLMC) and Fannie (FNMA) who securitized and sold them. The large investment banks also assisted with the packaging of these sub-prime loans and finding buyers for these securities. **The overwhelming majority of the sub-prime and risky mortgages with minimal down payments and questionable qualifications were made outside the traditional banking system.** The traditional banking system should not be held responsible for the failures of the investment funds, the investment banks, the auto companies or the mortgage servicing companies. Again, the survivors are being shot!

It is important to discuss again the differences of traditional banks vs. the Wall Street investment banks, captive finance companies and other “want-to-be financial institutions.” Traditional banks are depository institutions that are insured by the FDIC. We are also different in the types of activities we pursue. Traditional banks are invested in the long-term and are more likely to engage in lending and in long-term financial relationships with our customers. In short, traditional banks have deep roots.

That affects the attitude of our business. A traditional bank is a deposit taker, a loan maker and a facilitator of payment systems. We know our customers. Banks will continue to be the first responders to the call for volunteers for civic organizations and for financial support for numerous non-profit organizations in their communities.

Our challenges are real, both internal and external. First, the internal issues are things that we used to be able to control but which are progressively being taken out of our control, such as how to manage our balance sheet risk, our liquidity position, and our products. Increasingly, control of these are being handed to people outside of the bank, whether regulators or external professionals, such as external auditors following new mandates from the Financial Accounting Standards Board (FASB).

This trend is increasing with the possible creation of the proposed (CFPA) Consumer Financial Protection Agency, banks will be regulated across the country like a Utility and the free market system will not prevail because banks will have to pay more attention to the new consumer regulator than they will to their own consumers.

If you have ever seen a pre-exam package from any of the bank regulatory agencies, you would be amazed at what they review and examine during the course of a regular examination. This includes all stated regulations whether consumer or compliance related. For decades, bank Boards and management have faced the possibility of fines for non-compliance with such items as the newly implemented Reg. Z requirements, BSA, Call-Report revisions, Reg. DD, Fair lending issues, and Truth-in-lending issues and on and on. In essence – the whole alphabet soup of regulations. Increasingly, however, **we are being asked to become the Police agency for the Government** by collecting Suspicious Activity Reports (SARs) and Currency Transaction Reports (CTRs), and yet often it seems as if we bankers are more at risk to enforcement action than the crooks are. When the \$10,000 limit was put in place in 1972 that was a relevant amount. Today, if deflated, that is an equivalent amount of about \$3,500. Did you know that when each of you go on vacation or give out a Christmas bonus, that your bank is required to record information about any transaction that is over \$3,000?

Additionally, the growing likelihood of intrusion into the compensation practices of banks has created a real fear among traditional bankers. With the camel's nose under the tent, bankers are afraid that it will go too far. We do not object to concern with anything that raises valid safety and soundness issues. We are afraid that new regulations will affect what we can even pay a teller. Would Congress trade their pension plans for a government implemented and managed Social Security system?

Continuing on the issue of compensation, many banks are using a “Stakeholder Model” which is similar to Robert Kaplan’s “Balanced Scorecard.” It factors in and balances the key drivers of earnings, quality, efficiency, growth and loss mitigation based on actual results. For example, it has deductions for past dues, declining credit quality, and charge offs. Too much intrusion and excessive micro-management of capitalistic markets can only do more harm.

Another example of an external threat is that of GMAC’s Ally Bank. They have been allowed to run nationwide television ads offering above market deposit rates driving up all banks’ cost of funds. For example, on 1/19/10, Ally was offering a 1.74% APY for a one year certificate of deposit. This compares with the cost of an average bank’s 1 year CD rate of 0.65%. It appears the GMAC and Ally Bank continues to need to raise cash, regardless of the cost or consequences. The FDIC has issued guidance against this practice but it seems that it is ignored. GMAC, as a ward of the government, is bringing more risk to the DIF Deposit Insurance Fund by offering ridiculously high rates that we cannot compete against to protect the safety and soundness of our bank. We can’t compete against you- the Government. You are killing us!

Other impacts of the recent regulatory overkill include the recent FAS 5 requirements from the SEC and FASB regarding the valuation of Loan Loss Reserves. It does not allow banks to build up reserves in the good times to a reasonable amount based on the banker’s good judgment. We were taught by our parents to save for a “rainy day.” Reserves are built by improving credit quality, reducing past due loans, and through stable earnings. The overkill and swinging of the pendulum has now caused banks to take a larger hit to earnings, when times are tougher, to replenish the reserves at the bottom of the cycle. It is clear to all of us, that SEC’s and the accounting industry’s position were off-base by not allowing banks to build loan-loss reserves in the good times.

In years past, banks would ask the examiners at the conclusion of the exam for a Certification letter. This letter would basically state that they agree and certify that the level of loan loss reserves is adequate and necessary. In return, the bank would furnish this letter to their accountants so the entire amount of the provision could be deducted for income tax purposes. In reality today, banks can

only deduct the amount of actual losses against the provision, not the excess allocations based on future or unrealized losses.

The impact of FAS 166, implemented by the FASB which addressed loan participation agreements, will hurt banks' ability to find a participating partner for larger loans for their customers. You will hear this again when businesses say "My bank will not make loans" because they are not big enough. We partner with fellow banks to assist with the lending needs of our larger customers. FAS 166 will drive that business away from community banks who will not be able to compete with larger banks for the middle business lending market.

Should lawmakers pass the proposed bank tax legislation, it will result in higher fees to the consumers and small businesses. Any ongoing business pays all of its costs from the money that it earns from its customers; you cannot get around that without going out of business. Moreover, why is the proposed tax exempting banking competitors in the shadow banking world? Why are we exempting GM, AIG, and Chrysler? Instead, the Administration is looking to the banks; the very banks that are the leaders in business, construction, consumer and small business lending, and whose lending operations are still under severe pressure from the recession, with loan delinquency and default rates at very high levels?

Some have said that the big firms on Wall Street have a big share of the blame and it's fair for them to pay – but what about those of us as survivors on Main Street? Does anyone really believe that these taxes will not continue to be extended and will not find their way down to community banks?

I believe that the Treasury Department itself has reported, when the decision was made last month to extend the TARP program, that the government isn't expected to lose money on TARP aid to banks. The losses are coming from the auto companies and AIG, banking competitors in the shadow banking world. The banks are paying back their investment, at an expected \$20 billion profit to the government, and now the banking industry is being called upon to pay the beer tab for our competitors. Not only is that unfair, but it is likely to make it harder for banks of all kinds to attract the capital needed to fund increased lending.

I want to point out that while the proposed bank tax is initially aimed at penalizing larger banks, it will also have an impact on smaller ones. When the big

banks sneeze, we run the risk of catching pneumonia. We rely on them for correspondent services – check clearing, wire transfers, letters of credit and many other services and this will only increase the prices for these services which will be passed on to consumers and small business. Moreover, by exempting insured deposits, it increases the incentive for large banks to increase their competition with community banks for scarce deposits. Community banks traditionally rely upon deposits as our chief form of liquidity, while larger banks have raised as much as 50% or more of their funding from non-deposit sources. Taxing those sources will just drive the largest banks, with their large advertising resources, right into community bank markets.

Traditional bankers and smaller banks are fearful that this tax will soon be expanded to include all banks – again, “shooting the survivors!” Why should this be a special tax on one industry that is so punitive, and not include the largest culprits such as GM, Chrysler, Freddie & Fannie? Yes, this may exempt the small banks outside the top 50 – but we need to separate the traditional banking model from the investment banking model.

Finally, allow me to list some of the key challenges to the continuation of the traditional banking role of community banks. Many challenges traditional banks are facing include:

- An uncertain and constantly changing regulatory environment;
- New regulatory burden imposed by Congress;
- New regulatory burden imposed by the FASB;
- Greater internal compliance costs from FDIC, and other regulatory agencies;
- The Excessive bookkeeping and record keeping requirements that are redundant and unnecessary;
- Proposed new taxes on the banking industry; and
- Negative public perception caused by the media and other public commentators and public officials.
- Members of Congress have had to cast votes during a crisis before all the facts were brought forth.

As I said earlier, traditional banks have a depth of management and expertise coupled with knowledge of THEIR customers and the ability of those customers to perform over the long haul and through challenging economic cycles. This

overrides any national statistics, predictions or perceptions. We know our customers. We know their character, their capacity, their collateral, and their cash flow. Let us serve them and work with them.

In summary, YES, I AM PROUD TO BE A TRADITIONAL BANKER! Thank you Congressman Hensarling and to the Committee for inviting me here today and the opportunity to share with you the views of this community banker, which I believe are reflective of views of my many colleagues all across the nation. I will be happy to answer any questions.

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**TexasBankers
Association**
One Industry. One Vision. One Voice.

January 15, 2010

The Honorable Kay Bailey Hutchison
284 Russell Senate Office Building
Washington, D.C. 20510

The Honorable John Cornyn
517 Hart Senate Office Building
Washington, D.C. 20510

Dear Senators Hutchison and Cornyn:

As members of the Texas Bankers Association, Texas' oldest and largest banking trade association, each of the undersigned banks is committed to ensuring that Texas maintains its strong and viable position in the banking industry. Our Association is comprised of 600 of the 685 FDIC-insured institutions operating in the State of Texas with 5,000 branch locations and 97% of all bank assets and deposits. We truly represent all banking interests in the State of Texas and firmly believe it is incumbent upon each of us to make good business decisions that serve our communities.

However, given the agenda the Obama Administration is advocating in **H.R. 4173**, The Wall Street Reform and Consumer Protection Act, the purported intent of which is to restructure the financial regulatory system for the commercial banking industry, we fear our ability to serve our customers will be severely hampered. Simply stated, this bill will do more harm than good to the banking industry. Because we feel Main Street community bankers are not being included in the discussions about the content and merits of this legislation, we offer the following points for your consideration as clarification about our position on the bill:

1. Traditional community banks and thrifts did not cause the collapse of the nation's housing market and the near-collapse of the financial services system itself in 2008. They cannot and do not support punitive measures for their business model – funding local loans with local deposits – that did not create the current economic problems we all face together.
2. The traditional bank model had nothing to do with causing “consumer abuses” that have been alleged. Credit card fees and overdraft protection programs did not bring the nation to the edge of the financial abyss.
3. Traditional community banks and thrifts in every state support regulatory reform, including a consumer protection mechanism, for the abusers that have never been subject to an effective regulatory process and that fell outside of the current system which exists for FDIC- and NCUA-insured institutions.
4. We support creating a “Systemic Dissolution Fund” and establishing a clear mechanism to resolve “too-big-to-fail” institutions, thus ending this abusive and discriminatory national policy.
5. Traditional community banks and thrifts support an effective risk-based system for purposes of assessing FDIC insurance premiums. Insured depository institutions which engage in

Senators Hutchison and Cornyn
January 15, 2010

more risky transactions as a part of their business model should pay more to the Deposit Insurance Fund for that additional risk.

6. Traditional community banks and thrifts support simplified disclosures for all customers, whether the activity involves lending or opening new accounts. In this regard, we call on Congress and bank regulatory agencies to review current laws and regulations that are burdensome to consumers.

We pledge to work closely with you and your staffs in a collective effort to accomplish these goals together as the bill moves toward passage. However, the undersigned banks cannot support **H.R. 4173**, The Wall Street Reform and Consumer Protection Act of 2009, in its current form.

Respectfully,

Citizens Bank, N.A., Abilene
First Financial Bank, N.A., Abilene
First State Bank, Abilene
Liberty Capital Bank, Addison
First National Bank Albany/Breckenridge, Albany
Texas Champion Bank, Alice
First National Bank of Alvin, Alvin
Texas Advantage Community Bank, N.A., Alvin
Amarillo National Bank, Amarillo
FirstBank Southwest, Amarillo
Herring Bank, Amarillo
First National Bank of Amherst, Amherst
Anahuac National Bank, Anahuac
Security State Bank, Anahuac
First National Bank of Anderson, Anderson
Commercial State Bank, Andrews
The National Bank of Andrews, Andrews
Citizens State Bank, Anton
The Bank Arlington, Arlington
American State Bank, Arp
First National Bank of Aspermont, Aspermont
First State Bank, Athens
Bank of Texas, Austin
Business Bank of Texas, N.A., Austin
Community State Bank, Austin
Horizon Bank, SSB, Austin
Independent Bank of Austin, SSB, Austin
Libertad Bank, SSB, Austin
Treaty Oak Bank, Austin
The First State Bank, Avinger

First National Bank of Baird, Baird
Ballinger National Bank, Ballinger
First National Bank, Ballinger
Bandera Bank, Bandera
Bandera First State Bank, Bandera
First National Bank of Bastrop, Bastrop
CommunityBank of Texas, N.A., Beaumont
MidSouth Bank, N.A., Beaumont
First National Bank Mid-Cities, Bedford
First State Bank of Bedia, Bedia
The First National Bank of Beeville, Beeville
Community National Bank, Bellaire
Austin County State Bank, Bellville
The First National Bank of Bellville, Bellville
First State Bank of Ben Wheeler, Ben Wheeler
Farmers State Bank, Bertram
The State National Bank, Big Spring
The Blanco National Bank, Blanco
Fannin Bank, Bonham
Legend Bank, N.A., Bowie
Brady National Bank, Brady
The Commercial National Bank of Brady, Brady
Citizens National Bank of Breckenridge, Breckenridge
First Star Bank, S.S.B., Bremond
Brenham National Bank, Brenham
Bridge City State Bank, Bridge City
The Community Bank, Bridgeport
The First State Bank, Brownsboro
International Bank of Commerce, Brownsville

Senators Hutchison and Cornyn
January 15, 2010

Citizens National Bank, Brownwood
Texas Bank, Brownwood
Texas Enterprise Bank, Bryan
The Buckholts State Bank, Buckholts
Citizens State Bank, Buffalo
First Bank, Burkburnett
First National Bank of Burleson, Burleson
First State Bank of Burnet, Burnet
Burton State Bank, Burton
First National Bank of Byers, Byers
Citizens National Bank, Cameron
Classic Bank, N.A., Cameron
First State Bank of Canadian, N.A.,
Canadian
Carmine State Bank, Carmine
Capital Bank of Texas, Carrizo Springs
First State Bank & Trust Co., Carthage
Panola National Bank, Carthage
Castroville State Bank, Castroville
The First Bank of Celeste, Celeste
Farmers State Bank, Center
Shelby Savings Bank, SSB, Center
Chappell Hill Bank, Chappell Hill
First State Bank, Chico
First Bank and Trust, Childress
First National Bank of Chillicothe, Chillicothe
The Donley County State Bank of
Clarendon, Clarendon
First Financial Bank, N.A., Cleburne
First State Bank, Clute
Texas Gulf Bank, N.A., Clute
First Bank of West Texas, Coahoma
The Bank of San Jacinto County,
Coldspring
Coleman County State Bank, Coleman
First Coleman National Bank, Coleman
Brazos Valley Bank, N.A., College Station
Spirit of Texas Bank, SSB, College Station
First National Bank of Colorado City,
Colorado City
The City National Bank, Colorado City
The First State Bank, Columbus
The Comanche National Bank, Comanche
First Bank of Conroe, N.A., Conroe
Charter Alliance Bank, Corpus Christi
First Community Bank, Corpus Christi
Citizens State Bank, Corrigan
Community National Bank & Trust of Texas,
Corsicana

Stockmens National Bank in Cotulla, Cotulla
First Security State Bank, Cranfills Gap
Citizens National Bank, Crosbyton
Texas Heritage Bank, Cross Plains
The Crowell State Bank, Crowell
Zavala County Bank, Crystal City
TrustTexas Bank, SSB, Cuero
D'Hanis State Bank, D Hanis
Texas Heritage National Bank, Daingerfield
Dalhart Federal Savings & Loan
Association, Dalhart
First National Bank in Dalhart, Dalhart
American Bank, N.A., Dallas
Bank of Texas, N.A., Dallas
Comerica Bank, Dallas
Community Trust Bank of Texas, Dallas
Coppermark Bank, Dallas
Dallas City Bank, Dallas
First Associations Bank, Dallas
First Private Bank of Texas, Dallas
Grand Bank, Dallas
Inwood National Bank, Dallas
La Jolla Bank, FSB, Dallas
Live Oak State Bank, Dallas
Mutual of Omaha Bank, Dallas
North Dallas Bank & Trust Co., Dallas
One World Bank, Dallas
Park Cities Bank, Dallas
Preston National Bank, Dallas
Professional Bank, N.A., Dallas
Southwest Securities, FSB, Dallas
Sovereign Bank, Dallas
Texas Capital Bank, N.A., Dallas
The F&M Bank & Trust Company, Dallas
United Texas Bank, Dallas
Wilshire State Bank, Dallas
First Bank & Trust Company, Dawson
State Bank of De Kalb, De Kalb
Farmers & Merchants Bank, De Leon
North Texas Bank, N.A., Decatur
Amistad Bank, Del Rio
The Bank and Trust SSB, Del Rio
Access 1st Capital Bank, Denton
NorthStar Bank of Texas, Denton
The Bank of Texas, Devine
First Bank & Trust East Texas, Diboll
Dilley State Bank, Dilley
First United Bank, Dimmitt
Pioneer Bank, SSB, Dripping Springs

Senators Hutchison and Cornyn
January 15, 2010

The Dublin National Bank, Dublin
The First National Bank of Eagle Lake, Eagle Lake
First Financial Bank, N.A., Eastland
The Eden State Bank, Eden
First National Bank, Edinburg
Commercial State Bank of El Campo, El Campo
NewFirst National Bank, El Campo
Bank of the West, El Paso
Capital Bank, SSB, El Paso
First Savings Bank, FSB, El Paso
The First National Bank of Eldorado, Eldorado
Frontier Bank of Texas, Elgin
The Elkhart State Bank, Elkhart
Elsa State Bank & Trust Company, Elsa
The First National Bank of Emory, Emory
The First National Bank of Evant, Evant
Falfurrias State Bank, Falfurrias
Greater South Texas Bank, Falfurrias
The First National Bank in Falfurrias, Falfurrias
Fayetteville Bank, Fayetteville
Union State Bank, Florence
First Security Bank, N.A., Flower Mound
First National Bank, Floydada
Fort Davis State Bank, Fort Davis
Fort Hood National Bank, Fort Hood
First National Bank of Fort Stockton, Fort Stockton
The Pecos County State Bank, Fort Stockton
Carlile Bank, N.A., Fort Worth
Colonial Savings, F.A., Fort Worth
First Command Bank, Fort Worth
Meridian Bank Texas, Fort Worth
OmniAmerican Bank, Fort Worth
RiverBend Bank, Fort Worth
Southwest Bank, Fort Worth
Star Bank of Texas, Fort Worth
The National Bank of Texas at Fort Worth, Fort Worth
West Side Bank and Trust, Fort Worth
Woodhaven National Bank, Fort Worth
First State Bank, Frankston
Security State Bank & Trust, Fredericksburg
Friona State Bank, N.A., Friona
Collin Bank, Frisco

SNB Bank of Dallas, Frisco
Texas Republic Bank, N.A., Frisco
First State Bank, Gainesville
Moody National Bank, Galveston
United Central Bank, Garland
National Bank, Gatesville
First National Bank, George West
First National Bank of Giddings, Giddings
First National Bank of Gilmer, Gilmer
Gilmer National Bank, Gilmer
Gladewater National Bank, Gladewater
Mills County State Bank, Goldthwaite
Sage Capital Bank, N.A., Gonzales
Titan Bank, N.A., Graford
First National Bank in Graham, Graham
First State Bank, Graham
Graham National Bank, Graham
Graham Savings and Loan, FA, Graham
Community Bank, Granbury
The First National Bank, Granbury
Grand Bank of Texas, Grand Prairie
Grandview Bank, Grandview
Premier Bank Texas, Grapevine
First National Bank, Groesbeck
The Farmers State Bank, Groesbeck
The State National Bank, Groom
Peoples State Bank of Hallettsville, Hallettsville
The First State Bank, Hallsville
Hamlin National Bank, Hamlin
Haskell National Bank, Haskell
The First National Bank of Hebronville, Hebronville
Henderson Federal Savings Bank, Henderson
First Financial Bank, Hereford
The First National Bank, Hico
United Community Bank, N.A., Highland Village
Citizens National Bank of Hillsboro, Hillsboro
Community National Bank, Hondo
The Hondo National Bank, Hondo
Allegiance Bank Texas, Houston
American First National Bank, Houston
Bank of Houston, Houston
Capital Bank, Houston
Central Bank, Houston
Chasewood Bank, Houston

Senators Hutchison and Cornyn
January 15, 2010

Encore Bank, N.A., Houston
Enterprise Bank, Houston
Golden Bank, N.A., Houston
Green Bank, N.A., Houston
Houston Business Bank, Houston
Houston Community Bank, N.A., Houston
Icon Bank of Texas, N.A., Houston
Independence Bank, N.A., Houston
Integrity Bank, SSB, Houston
JPMorgan Chase Bank, N.A., Houston
Lone Star Bank, Houston
Memorial City Bank, Houston
Mercantil Commercebank, N.A., Houston
MetroBank, N.A., Houston
North Houston Bank, Houston
Oasis Bank, SSB, Houston
OMNIBANK, N.A., Houston
Patriot Bank, Houston
Post Oak Bank, N.A., Houston
Preferred Bank, Houston
Southwestern National Bank, Houston
Sterling Bank, Houston
The Bank of River Oaks, Houston
The State Bank of Texas, Houston
Tradition Bank, Houston
Unity National Bank, Houston
Vista Bank Texas, Houston
Wells Fargo Bank, N.A., Houston
Woodforest National Bank, Houston
Hull State Bank, Hull
Plains State Bank, Humble
Third Coast Bank, SSB, Humble
Huntington State Bank, Huntington
First National Bank of Huntsville, Huntsville
Industry State Bank, Industry
State National Bank of Texas, Iowa Park
TransPecos Banks-Iraan, Iraan
Bank of Bombay, Irving
Bank of Las Colinas, Irving
Independent Bank of Texas, Irving
State Bank of Texas, Irving
TIB-The Independent BankersBank, Irving
The First National Bank, Jacksboro
The Jacksboro National Bank, Jacksboro
Austin Bank, Texas N.A., Jacksonville
Texas National Bank of Jacksonville,
Jacksonville
Eagle Bank, Jarrell
First National Bank, Jasper

Texas State Bank, Joaquin
Johnson City Bank, Johnson City
Jourdanton State Bank, Jourdanton
First State Bank, Junction
Junction National Bank, Junction
Justin State Bank, Justin
Karnes County National Bank, Karnes City
Westbound Bank, Katy
Pinnacle Bank, Keene
American Bank, N.A., Keller
First National Bank of Kemp, Kemp
Guadalupe National Bank, Kerrville
Citizens Bank, Kilgore
Kilgore National Bank, Kilgore
First National Bank Texas, Killeen
Main Street Bank, Kingwood
The Mint National Bank, Kingwood
Kress National Bank, Kress
La Coste National Bank, La Coste
Fayette Savings Bank, SSB, La Grange
National Bank & Trust, La Grange
Texas Country Bank, Lakeway
The Lamesa National Bank, Lamesa
Commerce Bank, Laredo
Falcon International Bank, Laredo
International Bank of Commerce, Laredo
Texas Community Bank, N.A., Laredo
The First Liberty National Bank, Liberty
Lindale State Bank, Lindale
Texana Bank, N.A., Linden
First National Bank, Lipan
AimBank, Littlefield
First Federal Bank Littlefield ssb, Littlefield
Security State Bank, Littlefield
First National Bank of Livingston, Livingston
First State Bank, Livingston
Arrowhead Bank, Llano
Llano National Bank, Llano
First-Lockhart National Bank, Lockhart
Lone Star State Bank, Lone Star
BancorpSouth Bank, Longview
Community Bank, Longview
Spring Hill State Bank, Longview
Texas Bank and Trust Company, Longview
Texas Star Bank, S.S.B., Lott
The First State Bank, Louise
Lovelady State Bank, Lovelady
City Bank, Lubbock
First Bank & Trust Company, Lubbock

Senators Hutchison and Cornyn
January 15, 2010

Lone Star State Bank of West Texas,
Lubbock
Lubbock National Bank, Lubbock
Peoples Bank, Lubbock
Platinum Bank, Lubbock
Western Bank, Lubbock
Angelina Savings Bank, F.S.B., Lufkin
Citizens State Bank, Luling
The Lytle State Bank of Lytle, Lytle
Madisonville State Bank, Madisonville
Big Bend Banks, N.A., Marfa
Marion State Bank, Marion
The Commercial Bank, Mason
The Cowboy Bank of Texas, Maypearl
Bank of South Texas, McAllen
Border Capital Bank, N.A., McAllen
Rio Bank, McAllen
First National Bank of McGregor, McGregor
First United Bank and Trust Company,
McKinney
Synergy Bank, SSB, McKinney
Valliance Bank, McKinney
First Bank and Trust, Memphis
Memphis State Bank, Memphis
First National Bank of Mertzson, Mertzson
Incommons Bank, N.A., Mexia
First State Bank of Miami, Miami
Community National Bank, Midland
First National Bank of Midland, Midland
Citizens State Bank, Miles
Mineola Community Bank, S.S.B., Mineola
The First National Bank of Mineola, Mineola
First Financial Bank, N.A., Mineral Wells
The First State Bank of Mobeetie, Mobeetie
Lone Star Bank, S.S.B., Moulton
American National Bank, Mount Pleasant
Guaranty Bond Bank, Mount Pleasant
Muenster State Bank, Muenster
First Bank of Muleshoe, Muleshoe
First National Bank in Munday, Munday
Commercial Bank of Texas, N.A.,
Nacogdoches
First State Bank, New Braunfels
Farmers National Bank of Newcastle,
Newcastle
Nixon State Bank, Nixon
Normangee State Bank, Normangee
Liberty Bank, North Richland Hills
The Oakwood State Bank, Oakwood

First State Bank of Odem, Odem
Security Bank, Odessa
Southwest Bank, Odessa
West Texas State Bank, Odessa
Western National Bank, Odessa
First National Bank of Olney, Olney
Orange Savings Bank, SSB, Orange
Security State Bank, N.A., Ore City
First State Bank, Overton
Crockett National Bank, Ozona
Ozona National Bank, Ozona
First National Bank, Paducah
First State Bank of Paint Rock, Paint Rock
City State Bank, Palacios
East Texas National Bank, Palestine
Commercial State Bank of Palmer, Palmer
National Bank of Commerce, an Office of
First National Bank Waupaca, WI, Pampa
First Federal Community Bank, Paris
Liberty National Bank in Paris, Paris
Texas Citizens Bank, N.A., Pasadena
Heritage Bank, N.A., Pearland
Pearland State Bank, Pearland
Interstate Bank, ssb, Perryton
Perryton National Bank, Perryton
Cypress Bank, FSB, Pittsburg
HCSB, a State Banking Association,
Plainview
Benchmark Bank, Plano
First International Bank, Plano
LegacyTexas Bank, Plano
Share Plus Federal Bank, Plano
ViewPoint Bank, Plano
First National Bank in Port Lavaca, Port
Lavaca
Powell State Bank, Powell
Citizens State Bank, Princeton
Prosper Bank, Prosper
First National Bank in Quanah, Quanah
First National Bank, Quitaque
Wood County National Bank, Quitman
Vista Bank, Ralls
San Antonio National Bank, Refugio
Woodforest Bank, FSB, Refugio
First State Bank, Rice
Pavillion Bank, Richardson
Vision Bank - Texas, Richardson
Brazos National Bank, Richwood
Robert Lee State Bank, Robert Lee

Senators Hutchison and Cornyn
January 15, 2010

Peoples State Bank, Rocksprings
Citizens State Bank, Roma
Roscoe State Bank, Roscoe
The First National Bank, Rotan
Cattleman's National Bank, Round Mountain
R Bank Texas, Round Rock
Round Top State Bank, Round Top
Texas Leadership Bank, Royse City
First Financial Bank, N.A., San Angelo
Texas State Bank, San Angelo
Broadway National Bank, San Antonio
Farm Bureau Bank, FSB, San Antonio
Frost National Bank, San Antonio
Jefferson Bank, San Antonio
Lone Star Capital Bank, N.A., San Antonio
The Bank of San Antonio, San Antonio
The Trust Company, San Antonio
First Community Bank, N.A., San Benito
First State Bank of San Diego, San Diego
City National Bank, San Saba
Sanger Bank, Sanger
Santa Anna National Bank, Santa Anna
Schwertner State Bank, Schwertner
HomeBank @, Seagoville
Citizens State Bank, Sealy
First Commercial Bank, N.A., Seguin
The Farmers National Bank, Seymour
The First National Bank of Seymour, Seymour
First State Bank, Shallowater
Peoples State Bank, Shepherd
First National Bank of Shiner, Shiner
Citizens Bank, Slaton
Community Bank of Snyder, Snyder
Texas Savings Bank, s.s.b., Snyder
West Texas State Bank, Snyder
Citizens State Bank, Somerville
First National Bank of Sonora, Sonora
First National Bank of South Padre Island, South Padre Island
First Financial Bank, N.A., Southlake
First National Bank, Spearman
First State Bank, Spearman
Spur Security Bank, Spur
First National Bank of Stanton, Stanton
First Financial Bank, N.A., Stephenville
Town and Country Bank, Stephenville
First State Bank, Stratford

Bank of Fort Bend, Sugar Land
Founders Bank, SSB, Sugar Land
The City National Bank of Sulphur Springs, Sulphur Springs
Sundown State Bank, Sundown
First Financial Bank, N.A., Sweetwater
Texas National Bank, Sweetwater
The First National Bank, Tahoka
Extraco Banks, N.A., Temple
First State Bank Central Texas, Temple
Citizens State Bank, Tenaha
Peoples State Bank, Texarkana
Texarkana First Bank A Division of First National Bank, Texarkana
Texas Community Bank, N.A., The Woodlands
First State Bank, Three Rivers
First National Bank, Throckmorton
First National Bank of Tom Bean, Tom Bean
The First National Bank of Trenton, Trenton
The First National Bank, Trinity
First State Bank in Tuscola, Tuscola
Citizens 1st Bank, Tyler
Citizens State Bank, Tyler
First Federal Bank Texas, Tyler
Southside Bank, Tyler
TexStar National Bank, Universal City
Uvalde National Bank, Uvalde
First National Bank of Bosque County, Valley Mills
First State Bank, Van
Texas Star Bank, Van Alstyne
The Waggoner National Bank, Vernon
First Victoria National Bank, Victoria
Alliance Bank Central Texas, Waco
Community Bank & Trust, Waco
Fidelity Bank of Texas, Waco
Wallis State Bank, Wallis
Citizens National Bank of Texas, Waxahachie
Vintage Bank, Waxahachie
First Financial Bank, N.A., Weatherford
First National Bank of Weatherford, Weatherford
The Bank, Weatherford
Hill Bank and Trust Company, Weimar
Wellington State Bank, Wellington
POINTWEST Bank, West
White Oak State Bank, White Oak

Senators Hutchison and Cornyn
January 15, 2010


The First National Bank in Whitney, Whitney
American National Bank, Wichita Falls
Fidelity Bank, Wichita Falls
First National Bank, Wichita Falls
Citizens National Bank, Wills Point
First National Bank of Winnsboro,
Winnsboro

The Security State Bank, Winters
The First National Bank, Woodsboro
First State Bank, Yoakum
Yoakum National Bank, Yoakum
International Bank of Commerce, Zapata
Zapata National Bank, Zapata

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name: JEFF AUSTIN III	2. Organization or organizations you are representing: AUSTIN BANK, TEXAS, NA (JACKSONVILLE, TEXAS) TEXAS BANKERS ASSOCIATION
3. Business Address and telephone number: P.O. Box 951 JACKSONVILLE, TEXAS 75766 MC 903-541-2093 CELL 903-752-0501	
4. Have <u>you</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2006, related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	5. Have any of the <u>organizations you are representing</u> received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2006, related to the subject on which you have been invited to testify? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
6. If you answered “yes” to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature: 	

Please attach a copy of this form to your written testimony.