MarkleBank
Bridging the Gap

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November 5, 2008

Federal Deposit Insurance Corporation (FDIC)
Via E-Mail/ Comments@FDIC.gov
RIN 3064-AD35

RE: FDIC Recapitalization

To Whom It May Concern:

I appreciate the opportunity to comment on the FDIC's proposal to raise premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system. A strong FDIC insurance fund is important to maintaining depositor confidence and I support changes to the premium calculation that truly reflect the risk of loss to the FDIC. However, as a healthy bank that had nothing to do with the current problems, I believe that the aggressive recapitalization proposed would be counterproductive and would limit my bank's ability to meet local credit needs.

The proposal would significantly raise premiums assessments to aggressively recapitalize the insurance fund in five years to over 1.25 percent of insured deposits. Yet the Federal Deposit Insurance Reform Act requires the FDIC to rebuild the fund to 1.15 percent in five years and to take longer when there are "extraordinary circumstances." There is no question that these are extraordinary circumstances and excessively high premiums only reduces the resources that I have available to lend in my community. It is also counter to other efforts by Congress and the Treasury to stimulate lending. Premium rates should be substantially less than what is proposed.

In addition, I believe that the proposal should remove the Certificate of Deposit Account Registry Service (CDARS) from inclusion in the brokered deposits ratio as these deposits allow my bank to retain customers and keep funding local. While I too am troubled that some recent failed or troubled banks have used brokered deposits to grow rapidly and fund risky assets, it is unfair to include CDARS deposits in with other, more volatile, forms of brokered deposits.

Furthermore, I believe that the proposal is particularly punitive to banks that use Federal Home Loan Bank advances. FHLB advances are stable source of funding for many banks that is often at lower cost than local deposits. In addition, FHLB advances can be used to match-fund longer term loans, mitigating interest rate risk. This type of funding is not available elsewhere.

The FDIC should not inhibit good, stable sources of funding. Rather, the focus should be on the risk of the assets that the bank has funded, regardless of the source of funds and any concerns should be raised as part of the examination process – which is included in the premium calculation. It is patently unfair to penalize banks that use these stable sources of funding.

Your favorable consideration to these concerns will be greatly appreciated on behalf of our bank and on behalf of thousands of like bank throughout our country.

Respectfully,

Greg Smitley
President and CEO