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November 13, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

RE: RIN 3064–AD35 - Assessments

Dear Mr. Feldman:

The New Jersey League of Community Bankers appreciates this opportunity to comment on the FDIC's proposal to raise deposit insurance premiums and change the risk-based premiums classification system. A strong FDIC insurance fund is important to maintaining depositor confidence and the League supports changes to the premium calculation that truly reflect the risk of loss to the FDIC. We are, however, concerned that the aggressive recapitalization proposed would limit community banks' ability to meet their local credit needs.

Premium Rates

The proposal would significantly raise premium 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 reduce the resources banks have available to lend to their communities. 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.

FHLB Advances

We find the proposal's new set of surcharges for depository institutions that have FHLB advances in amounts greater than 15% of their consumer deposits to be onerous. We strongly believe that advances are a vital and stable source of liquidity for community banks and a critical element for enabling community banks to provide residential mortgage loans while managing interest rate risk. Advances are one of the few sources of long-term funds at affordable rates. In the current economic environment with large banks bidding up the costs of deposits, FHLB advances are even more important to community banks. We believe that the proposed treatment of advances could serve to reduce the use of advances, thereby harming the profitability and the safety and soundness of member banks. If premiums are to be charged, the proposed 15 percent threshold is unreasonable low, impinges on the normal use of advances and unduly penalizes banks that have used advances in a safe and sound manner for many years. 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.

The FDIC should remove the use of Federal Home Loan advances from the rule.

CDARS

Finally, we 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 community banks to retain customers and keep funding within local communities. It is unfair to include CDARS deposits in with other, more volatile forms of brokered deposits. Many of our members use CDARS to satisfy the needs of depositors that want the security of deposit insurance protection, but also want to maintain the relationship with their local bank. CDARS allows these banks to meet that need and to keep the funding within their communities. This method of funding is not risky and any concerns should be raised as part of the examination process, the results of which are included in the premium calculation.

We urge the FDIC to exclude CDARS from the calculation of brokered deposits.

Thank you for this opportunity to comment on this important manner. I can be reached at 908-272-8500, ext 614 or jmeredith@njleague.com.

Sincerely,

James Meredith

James M. Meredith
Executive Vice President