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November 17, 2008

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear FDIC:

The Pennsylvania Bankers Association (PBA) appreciates this opportunity to comment on the FDIC's proposal to raise premiums in order to recapitalize the deposit insurance fund and to change the risk-based premiums classification system.

PBA represents 186 financial institutions - from the smallest to the largest - in the Commonwealth of Pennsylvania.

We understand that a strong FDIC insurance fund is essential to maintaining depositor confidence and support changes to the premium calculation that truly reflect the risk of loss to the FDIC. We are nonetheless concerned that an over-aggressive recapitalization such as proposed would be counterproductive to current public policy objectives by undercutting our members' ability to meet their communities' credit needs.

PBA believes this to be the case, in large part, because the proposal would significantly raise premium assessments. Given that 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," we believe that the proposal runs counter to efforts by Congress and the Treasury to stimulate lending to restore our economy. The proposed aggressive time frame represents a transfer of capital from banks to the FDIC just as Treasury is injecting capital into the banking system *via* TARP. This clearly reflects a situation where public policy is in direct conflict with the FDIC's proposed schedule for restoring the fund. In this environment, capital on the FDIC's balance sheet will not support expanded lending by banks. Premium rates need to be substantially less than proposed in order to keep credit flowing to consumers and businesses.

In addition, we believe that the proposal should not include the Certificate of Deposit Account Registry Service (CDARS) in the brokered deposits ratio because these deposits merely afford those banks who utilize this service to retain local customers.   We do not regard CDARS to be the type of deposit-gathering that may have permitted some institutions to take on too much risk *via* rapid deposit acquisition.

In addition, we believe that the agency should not penalize banks that use Federal Home Loan Bank advances. FHLB advances are a stable funding source for many banks - often at lower cost than local deposits. In addition, FHLB advances can be used to match-fund longer term loans, mitigating interest rate risk in a manner which could not be achieved through other means.

The FDIC should not inhibit good, stable sources of funding. We respectfully request that you instead focus on the risk of the <u>assets</u> that bank deposits fund. The examination process can then be the point at which any concerns are addressed and reflected in the premium calculation.

We would be glad to discuss any questions you may have about our position.

Sincerely,