



October 31, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am the CFO of Beach First National Bank, a \$672 million community bank that serves customers located in our tourist driven markets. Our markets are "deposit poor" but "loan rich". By this I mean the local deposits are not sufficient to sustain the funding needs of the community and also the tourism infrastructure needs of our guests during the tourist season.

I agree with the concept of a risk based assessment system to ensure those institutions that are taking "excessive risks" should be charged more. Studies have shown that excessive reliance on "brokered deposits" has increased the likelihood of a loss by the FDIC insurance fund.

I am suggesting you reconsider the use of a 10% ratio as a "base line" for broker deposits to domestic deposits as well as the inclusion of CDARS reciprocal deposits in the definition of a "brokered" deposit.

What we call a "true brokered" deposit is defined as a broker that is paid to obtain the funds, the bank does not have access to the names of the depositors, and is unable to solicit the depositor for any bank services. True brokered deposits are an alternative funding source, and at times a more cost effective funding source, if managed correctly. Community banks do not have as many options to generate funds as our larger peers. I would propose that a ratio of 15% would allow additional flexibility for financial institutions, especially those in a market like we serve.

The concepts of core versus non core deposits and what is a "brokered deposit" has blurred over the years. The Bank is a new member of the Promontory Interfinancial Network and offer CDARS Reciprocal Deposits to our customers. By regulatory definition they are "brokered deposits". We see CDARS as a deposit with local customers and as a stable source of core funding. The CDARS network allows banks, such as ours, to better serve our customer needs both from a safety and soundness perspective, helping them with their fiduciary responsibilities, and as a tool to allow us to develop long term relationships.

We believe the CDARS program deposits should not be deemed a brokered deposit because they are built on established local customer relationships and they demonstrate a high degree of "stickiness".

It would be easy for our Bank to distinguish between CDARS deposits and brokered deposits because we use separate accounts on our system.

In conclusion, we suggest an increase from 10 to 15% in the brokered deposit ratio before assessing an additional premium and the exclusion of CDARS deposits from the definition of brokered deposits. In fact, CDARS Reciprocal deposits should not be considered brokered deposits for any purpose.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink that reads "Gary S. Austin". The signature is written in a cursive style with a large, sweeping "G" and "A".

Gary S. Austin
EVP and Chief Financial Officer

CC:

Sen. James DeMint
340 Russell Senate Office Building
Washington, DC 20510

Sen. Lindsey Graham
290 Russell Senate Office Building
Washington, DC 20510

Rep. Henry E. Brown, Jr.
1124 Longworth House Office Building
Washington, DC 20515