From: Braswell, Bob [mailto:b.braswell@carolinabank.com]
Sent: Wednesday, December 10, 2008 11:39 AM
To: Comments
Subject: FW: Deposit funding sources

Ladies and Gentlemen:

We respectfully submit to you that adding cost to the insurance premium is both counter productive and fraught with negative consequences when considering alternative funding sources such as FHLB advances and Brokered deposits. The understood limits are far to narrow.

With the Governments willingness to allow non-bank financial service companies to become Banks is clearly a poor public policy decision. They have already begun a variety of campaigns to draw local deposits into their banks, which are then up streamed into credit card companies (American Express) and a variety of insurance companies' investments. Regardless of what a banking regulator thinks, a brokered deposit is more stable than that of an elderly widow, who will jump for 5bps and a calendar. These other entities are seeking this liquidity because commercial paper and other recent traditional forms of cash are presently nonexistent, and, they are finding it cost effective as well.

All of this drives up the cost of deposits to all banks, not just community. Higher funding costs for us, puts more pressure on margins and profitability, which could create more concern for safety and soundness issues for you. At present, brokered deposits and FHLB advances are meaningfully less than "retail" c/d's. By using these alternatives, we are able to continue to lend monies in our communities at fair rates, when our major bank competitors have stopped for any number of reasons.

Increasing the premium will potentially have the negative consequence of depressing lending, notwithstanding the inclusion of the TARP program, which needs to be paid back. And, while a 5% coupon is very fair compared to other market alternatives, it is very expensive when compared to a c/d.

I understand that a meaningful number of the recently failed institutions had a disproportionate amount of brokered deposits and FHLB advances. But, I would suggest that it was not the percentage of those funding sources that caused their collapse, but either poor lending, management, or both. While, clearly a connection can be made between them, I doubt the inclusion of those funding sources in and of themselves caused their failure.

In conclusion, does the FDIC want its banks to lend money to help the economy revive, or, choke it by excessive premiums to offset losses not caused by its member banks, but, non-financial service companies recently allowed to become one?