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

Attention: Comments – RIN No. 3064-AD35

Re: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

I am writing to express concerns about the Federal Deposit Insurance Corporation's notice of proposed rulemaking published in the Federal Register on October 16, 2008. In this notice, the FDIC is proposing to increase deposit insurance premiums and apply potentially higher premiums on federally-insured depository institutions that use brokered deposits and secured liabilities to complement core deposits and manage risk. Additionally, I'm concerned with the FDIC's change in position that a deposit "listing service" will be considered a "deposit broker" for purposes of base premium assessment.

Secured Liabilities

I disagree with the assumption in the simple example illustration, that two different balance sheets financed with or without FHLB advances carry equal asset side risk. When managed properly, the use of FHLB advances should produce a lower risk balance sheet through better interest rate risk management, which is seldom available within institutions that use 100% retail deposits. Additionally, in a competitive retail deposit market the effective use of secured liabilities should reduce overall cost of funds producing higher income and therefore greater capital formation and a safer, healthier institution. It could also be argued that in a competitive retail deposit environment the exclusive use of retail deposits would result in higher overall cost of funds thus requiring greater asset side risk to produce the necessary return on investment to offset the higher cost.

The establishment of thresholds of allowable levels of secured liabilities creates perceived safety and soundness standards. Exceeding these levels will result in an imposed assessment or penalty for exposing the insurance fund to elevated risk. I believe the proposed limits on secured liabilities are set below levels that would represent a safety and soundness concern.

I do agree that in a liquidation situation the balance sheet funded by secured liabilities will inherently carry higher risk of loss to the insurance fund. Over the years the use of secured liabilities has significantly reduced the level of domestic retail deposits being used to fund bank assets. As a result those banks that rely solely on retail deposits to fund operations may bare a disproportionate share of replenishing the insurance fund if secured liabilities are not considered in the formula for assessing premiums. I would support the inclusion of secured liabilities in the formula if their exclusion would cause a disproportionate share of the cost of replenishing the insurance fund to be born by those banks that rely solely on retail deposits to fund operations.

Brokered Deposits

The proposed inclusion of brokered deposits into the financial ratios method includes a rapid growth measurement of 20% over a 4 year period for Category I banks. This limit barely allows for meaningful growth for small community banks to remain relevant in the marketplace. For mutual institutions and small community banks, the rapid growth standard should be significantly greater, say 50% over a 4 year period.

The FDIC's proposed inclusion of deposits, including those received through a listing service or the Internet, that do not meet the statutory definition of a brokered deposit should not be included in the definition of brokered deposits for purposes of the adjusted brokered deposit ratio or the brokered deposit adjustment. Advertising rates through a listing service or the Internet is no different than advertising rates though other select media. Depositors communicate directly with the depository institution and the bank establishes an individual relationship with each depositor.

Conclusion

I appreciate the FDIC's work to revamp the current assessment formula so that an equitable share of the cost to restore and maintain the insurance fund is assessed to all insured institutions. I would urge the FDIC to delay changes to the formula to allow time for the full scope of deposit insurance related issues to be better considered and allow banks to restructure their funding sources in alignment with FDIC expectations.

Sincerely,

Kevin R. Goffe
Chief Financial Officer
Dean Bank