STATE OF LOUISIANA
OFFICE OF FINANCIAL INSTITUTIONS
BATON ROUGE, LOUISIANA

March 27, 2009

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

Re: Part 337 – Interest Rate Restrictions

Dear Mr. Feldman:

On behalf of the Louisiana Office of Financial Institutions, I appreciate the opportunity to comment on the FDIC's notice of proposed rulemaking regarding a proposal to amend Part 337.6 of the FDIC's Rules and Regulations, which addresses interest rate restrictions on institutions that are less than well capitalized. In view of the unprecedented turmoil and volatility in the financial services industry at this time, I strongly support the proposal, which should provide a clearer, more flexible and consistent process for establishing interest rate caps. I would ask that the following suggestions be considered before finalizing any amendments to the regulation.

I support the establishment of a "national rate" through which institutions will be able to determine a "safe harbor" for deposit products of similar terms. This proposal will help reduce the confusion that has occurred regarding the allowable rate per 337.6. However, for those instances where the national rate does not represent the prevailing rate in a particular market, I would suggest that instead of the proposed 75 basis point limit in excess of the prevailing rate, the institution be allowed to pay the average of the top five ratepayers within the market. By virtue of these institutions not being subject to the 337.6 limitations, these are well capitalized institutions seeking deposits. By using the average of all participants in the market, the allowable rate is influenced by the ratepayers at the bottom of the scale who generally are not seeking deposits and have priced their product so that it will not generate significant deposits. Additionally, the top five ratepayers previously mentioned are institutions that have priced their products fully aware and conscious of the cost of the funds and the impact these funds have on their net interest margin. Therefore, these institutions are not paying rates which are outrageous or excessive, but which reflect the realistic rates needed to attract deposits in that market.

POST OFFICE BOX 94095, BATON ROUGE, LOUISIANA 70804-9095 PHONE # (225) 925-4660
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LEGAL, NON-DEPOSITORY & SECURITIES – FAX # (225) 925-4524
web site: www.ofi.louisiana.gov e-mail: OFILA@ofi.louisiana.gov

Another issue closely related to the above discussion is the participants who are included in the calculation of the average. I strongly believe that all market participants seeking deposits within a market should be included in the calculation and not only those that happen to be depository institutions. As your Notice of Proposed Rulemaking clearly points out, there have been great advances in the financial services sector. Many other types of entities now compete for deposits. If these entities are offering products of similar characteristics, these products should be included in the calculation of allowable market rates.

For those institutions that fall below well capitalized, I firmly believe that they should be allowed a glide path through which they can reduce their exposure to brokered deposits. The all or nothing scenario under which an institution that will not be granted a deposit waiver is expected to fully dispose of its brokered deposits at their maturity causes more harm than good. It causes a liquidity event that in some cases could be avoided if the institution were allowed to reduce its position over a 12 month period. In these uncertain times, the maximum amount of flexibility should be the favored approach. A depository institution should not fail because of a liquidity event if its eventual failure is not a certainty.

Again, I appreciate the opportunity to comment on this proposed rulemaking and support the FDICs effort to make 337.6 a more workable and understandable regulation.

Sincerely,

John Ducrest

John Ducrest, CPA
Commissioner of Financial Institutions

c: Conference of State Bank Supervisors
Louisiana Bankers Association