



October 23, 2008

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

Re: FDIC Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am the Chairman of the Board of Directors of the Northwest Bank & Trust. We have \$138,212,000 in assets. The Federal Deposit Insurance Corporation (FDIC) has issued a Notice of Proposed Rulemaking (the "Notice") proposing adjustments to the FDIC's deposit insurance assessment system. We appreciate the opportunity to provide our views on the proposed system. We wish to express our deep reservations with the proposal's treatment of CDARS Reciprocal deposits as it now stands.

Northwest Bank & Trust is a member of the Promontory Interfinancial Network and offers CDARS Reciprocal deposits to its customers. Our experience with CDARS deposits to date has been very positive and we find that our local government customers in particular, take advantage of this valuable service, given their unique needs.

In general, local governments require their deposits to be fully secured. This objective is usually accomplished by the bank pledging collateral against those deposits not FDIC insured. CDARS is a great service for local governments in that it enables them to obtain full security on multi-million dollar deposits in a local bank like ours without having to demand and manage collateral pledges.

From our perspective, CDARS frees us from having to pledge that valuable collateral. This allows us to hold fewer securities and make more loans. It also provides greater protection in the event we were ever faced with a liquidity emergency as we would be holding more unencumbered assets.

For the above reasons, we find that our ability to attract and retain local governments as customers is enhanced because of our participation in the CDARS program.

CDARS Reciprocal deposits do not behave like traditional brokered deposits – they are not "hot money" seeking the highest return in a national market. On the contrary, they are funds that come from local customers, who usually reinvest their funds when their CDs mature. As drafted, the proposed rule would, in

Robert E. Feldman
Page 2

effect, punish institutions such as ours for no reason. And, if we were to no longer offer CDARS deposits, we are concerned that some of our municipal customers might turn to non-depository products or once again demand collateral and limit our flexibility to respond to market changes.

We have never thought that CDARS deposits should be considered as brokered deposits. No third-party broker intervenes between our Bank and our customers who place funds through us with CDARS deposits. We urge the FDIC to support legislation that permanently excludes CDARS deposits from the definition of brokered deposit so that the FDIC does not have to confront this issue every time changes are made to the assessment system. Treatment of CDARS deposits should be consistent across the FDIC's regulations.

The Notice makes the observation that CDARS deposits are not reported separately on banks' call reports. The Bank could separately report its CDARS holdings. Doing so would be a simple matter.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "James A. Durham", with a long horizontal flourish extending to the right.

James A. Durham
Chairman of the Board of Directors