114 E. Lexington Street
Baltimore, MD 21202

410-277-2739

Gary N. Geisel
Chairman and Cheif Executive Officer

**Provident**
BANK

November 12, 2008

**By electronic delivery**

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:

Provident Bank ("Provident") is pleased to provide this comment letter to the Federal Deposit Insurance Corporation (FDIC) in response to the Agency's proposed changes to raise deposit insurance premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system. A strong FDIC insurance fund is important to maintaining depositor confidence and we support changes to the premium calculation that truly reflect the risk of loss to the FDIC.

Provident is a state-chartered, one-bank holding company with headquarters in Maryland. With $6.4 billion in assets, Provident serves individuals and businesses in the areas of Greater Baltimore, Greater Washington and Central Virginia through a network of over 140 offices in Maryland, Virginia, District of Columbia and Southern York County, Pennsylvania.

We are writing to express concerns about the FDIC's proposal to apply potentially higher premiums on federally-insured depository institutions that use secured liabilities, such as Federal Home Loan Bank (FHLB) advances, to manage risk and complement core deposits. In addition, we have concerns regarding the proposal's treatment of reciprocal deposit placement services, such as those offered through the Certificate of Deposit Account Registry Service (CDARS).

With respect to FHLB advances, we are concerned that the proposed regulation could increase the cost of funding for our institution, even though we use such advances as a consistent and reliable source of liquidity. While we respect the importance of the Deposit Insurance Fund (DIF) and appreciate the effort by the FDIC to restore its balance, any regulation that discourages prudent borrowing measures or increases the cost of borrowing from the FHLB would be counterproductive and potentially damaging to the economy, given the current environment.

As a bank that uses FHLB advances prudently and within the context of a broader asset-liability management program, we believe this proposal unfairly characterizes the potential risks that this funding tool would have on the DIF. In fact, discouraging the flexible use of advances may prompt greater dependence on more volatile sources of wholesale funding or prompt institutions to raise interest rates on deposits; an unintended consequence that may lead to higher costs of borrowing in their respective communities. The FDIC should not inhibit stable sources of funding; rather, the focus should be on the risk of the assets that the bank has funded, regardless of the source of funds. Any resulting concerns should be raised as part of the examination process – which is included in the premium calculation. It is patently unfair to penalize banks that use these stable sources of funding.

With respect to the treatment of CDARS deposits in the proposal, we believe that CDARs should be removed from inclusion in the brokered deposits ratio, as these deposits allow banks to retain customers and keep funding local. Our local customers use CDARS so that they can continue their relationship with us. We set our rates in this program reflective of our own pricing practices and our competitive local market. In fact, CDARS deposits are gathered at a cost less than our institution's standard CD rates. In the absence of CDARS, our customers might well turn to deposit brokers or internet rate boards, which could damage the valuable customer relationship we have worked so hard to maintain and increase the level of volatile, high interest rate deposits that are the FDIC's stated concern. While we are troubled that some recent failed or troubled banks have used brokered deposits to grow rapidly and fund risky assets, it is unfair to include CDARS deposits in with other, more volatile, forms of brokered deposits.

After assessing this proposed regulation, we would also recommend that the FDIC utilize its "extraordinary circumstances" authority to extend the time period to rebuild the DIF from five to ten years. This extension will limit unnecessary financial stress on insured depository institutions. In light of the extraordinarily fragile domestic and global banking system and the numerous sweeping measures the FDIC, U.S. Treasury and the Federal Reserve have taken to restore stability and confidence, we do not believe that increasing insurance premiums is appropriate at this time.

Thank you for this opportunity to comment.