DarbyBank

Friday, November 14, 2008

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
Via: email to comments@fdic.gov

Dear Mr. Feldman:

We appreciate the opportunity to comment on the FDIC's proposal to raise 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. However, as a community bank that had nothing to do with the current problems, we believe that the aggressive recapitalization proposed would be counterproductive and would limit our bank's ability to meet local credit needs.

The proposal would significantly raise premiums assessments to aggressively recapitalize the insurance fund in five years to over 1.25 percent of insured deposits. Yet the Federal Deposit Insurance Reform Act requires the FDIC to rebuild the fund to 1.15 percent in five years and to take longer when there are "extraordinary circumstances." There is no question that these are extraordinary circumstances and excessively high premiums only reduces the resources that we have available to lend in our communities. It is also counter to other efforts by Congress and the Treasury to stimulate lending. Premium rates should be substantially less than what is proposed.

In addition, we believe that the proposal should remove the Certificate of Deposit Account Registry Service (CDARS) from inclusion in the brokered deposits ratio as these deposits allow our bank to retain customers and keep funding local. While we understand that some recent failed or troubled banks have used a significant amount of brokered deposits to grow rapidly and fund risky assets, it is unfair to include CDARS deposits in with other forms of brokered deposits. We use CDARS to satisfy the needs of our depositors that want the surety of deposit insurance protection, but maintain the relationship with our bank. CDARS allows us to meet that need and to keep the funding within our community.

Furthermore, we believe that the proposal is particularly punitive to banks that use Federal Home Loan Bank advances. FHLB advances are stable source of funding for many banks that is often at lower cost than local deposits. In addition, FHLB advances can be used to match-fund longer term loans, mitigating interest rate risk. This type of funding is not available elsewhere.

Our bank will be heavily penalized under the new proposed premiums for its use of brokered deposits in spite of a record for properly managing this funding source through many years of examinations. We understand that the four-fold proposed increase for Darby Bank is due to our current supervisory rating in addition to the heavy use of brokered deposits. We believe that the FDIC should provide banks the opportunity for corrective action before assessing such higher fees. Simply put, more time is needed to meet the new standards.

The FDIC should not inhibit good, 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 and any 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. Again, we believe that more time should be granted to banks to meet these new standards before a punitive fee is assessed and during a time few can afford additional expenses.

Sincerely,

Walter B. Bowden
President / CEO