
From: Leton L. Harding
Sent: Thursday, October 23, 2008 2:58 PM
To: Comments
Subject: Assessments - RIN-3064-AD35 - CDARS

October 23, 2008

Mr. Robert E. Feldman
Federal Deposit Insurance Corporation
550 17th Street North West
Washington, DC 20429

Re: Notice of Proposed Rulemaking (RIN 3064-AD35)

Dear Mr. Feldman:

The First Bank and Trust Company welcomes the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking proposing changes to the FDIC's deposit insurance assessment regulation.

In particular, we would like to respond to the request for comments on whether "deposits received through a network on a reciprocal basis that meet the statutory definition of brokered deposits be excluded from the definition of brokered deposits for purposes of the adjusted brokered deposit ratio or the brokered deposit adjustment?"

We are headquartered in Lebanon, VA and we have \$970,00,000 in assets and 21 offices. Our bank has served the people of Virginia and Tennessee for more than 29 years. We offer a full range of products and services, including the Certificate of Deposit Account Registry Service (CDARS), which meets the description of a reciprocal placement service in your proposal.

Because CDARS deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits, we strongly believe CDARS Reciprocal deposits should be excluded from the definition of brokered deposit for the purposes of this proposal.

Brokered deposits chase national interest rates, compared to CDARS CDs, where interest rates are set locally. Brokered deposits rarely renew or roll over. CDARS deposits, on the other hand, have extremely high reinvestment rates.

Our customers renew their CDARS deposits nearly all of the time. This is high by any standard and for our bank are comparable (or better than) the rollover rate in traditional CD programs. It also should come as no surprise since our customers do not

seek out our bank's CDARS program due to high rates rather the safety and peace of mind offered by the product. In addition, they find it more convenient to maintain a single banking relationship with us rather than going to multiple banks only to obtain deposit insurance protection.

Since CDARS deposits do not exhibit the characteristics of traditional brokered deposits, CDARS deposits should not be treated like brokered deposits for purposes of the proposed assessment regulation. For banks, separately reporting CDARS deposits on the Call Report would be simple. Such reporting could be achieved by simply amending the call report or allowing us to report the figures separately. In addition, we strongly urge the FDIC to support legislation explicitly exempting CDARS Reciprocal deposits from the definition of brokered deposit in the FDI Act definition, which would conclusively settle any uncertainty as to the status of CDARS.

In addition, via the CDARS program we have been able to bring back into the communities we serve Public funds for local lending purposes. With the increased FDIC coverage local county and city governments which had previously sent funds out of area to managed funds have returned those funds to their local community. We have been able to re-deploy those funds in the communities from which they come to create jobs, increase local income, and tax bases.

We appreciate the opportunity to comment on this proposal.

Sincerely,

Leton Harding
Executive Vice President

cc: Sen. James Webb

Sen. John W. Warner

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225 Russell Senate Office Building
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