



**SHOREBANK**

Let's change the world.™

Joseph E. Hasten  
President & CEO

October 29, 2008

Mr. Robert E. Feldman  
Executive Secretary  
FDIC  
550 - 17th St N.W.  
Washington, DC 20429

Re: RIN 3064-AD35 - Notice of Proposed Rulemaking on Risk-Based Assessments

Dear Mr. Feldman:

ShoreBank is pleased to submit comments on the Federal Deposit Insurance Corporation's (FDIC) proposed changes to deposit insurance assessments and, in particular, to the determination of whether reciprocal deposit placement services – such as CDARS – should be exempted from the definition of brokered deposits for the purposes of the proposal. As we discuss below, it is our belief that *CDARS deposits should be excluded from the definition of brokered deposit in the Notice of Proposed Rulemaking on Risk-Based Assessments.*

ShoreBank is the nation's first and leading community development and conservation bank, headquartered in Chicago, IL. We are a certified Community Development Financial Institution, and, as such, focus our service on underserved low- and moderate-income communities in Chicago and its near west suburbs, as well as in Cleveland and Detroit, where we have branches. We are a full-service banking institution with \$2.4 billion in assets.

Our ability to foster customer relationships is due to our emphasis on great customer service and quality products and services. We are a member of the Promontory Interfinancial Network and offer the CDARS Reciprocal Service, which is an added value service to our clients and a highly stable source of funding for us. Our CDARS Reciprocal deposits have all the characteristics of classic core deposits – the deposits come from customers who generally reinvest their funds when their CDs mature.

As a community development bank with retail branches in low- and moderate-income communities, ShoreBank cannot serve our mission and our community if our funding is limited

to our immediate geographic area. To meet the lending needs of our communities, *ShoreBank has loyal deposit customers across the country.* These customers choose to bank with ShoreBank because they believe in our mission to help build economic equity and healthy communities. Thousands of individuals and institutions place CDs on deposit with ShoreBank at or below market rates of interest and do whatever they can to renew repeatedly at maturity. They do this because they know that their dollars are supporting ShoreBank's continued investment in our mission. CDARS has become an important tool for our loyal customers both locally and nationally, augmenting and strengthening their relationships with us.

*Defining CDARS Reciprocal deposits as brokered deposits is illogical.* Traditional brokered deposits, in contrast to our CDARS Reciprocal funds, originate from third parties whose customers are seeking to place funds at the highest rates available. Brokered deposits are a national market and banks must "pay up" to play. In contrast, no one is standing between us and our customers that choose to use CDARS. In addition, our CDARS deposits are priced at or below market rates of interest. CDARS deposits do not behave like traditional brokered deposits which move at maturity to get the highest rate; we have a stable group of CDARS customers who generally reinvest with us when their CDs mature. *Since CDARS deposits act like core deposits, they should be treated as core deposits, not brokered deposits.* The proposed rule would have the effect of constraining institutions like ours from using CDARS to provide enhanced service to our customers. This would contradict one of the stated purposes of the proposed rule – to "make the assessment system fairer, by limiting the subsidization of riskier institutions by safer ones."

Our customers use CDARS so that they can invest larger dollars and continue their relationship with us. In the absence of CDARS, our customers might well turn to deposit brokers or internet rate boards. This, in turn, 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.

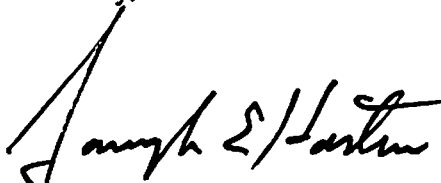
The Notice points out that call reports do not distinguish between CDARS deposits and brokered deposits. It would be a simple matter for our bank to separately report its CDARS holdings if this would facilitate an exemption of CDARS Reciprocal deposits from the brokered deposit definition.

In closing, we are of the opinion that CDARS deposits should be excluded from the definition of brokered deposits in the Notice of Proposed Rulemaking on Risk-Based Assessments. Moreover, we do not believe that CDARS deposits should be considered as brokered deposits. In addition to excluding CDARS from brokered deposits by rule, this institution respectfully asks the FDIC to support legislation to exclude CDARS Reciprocal deposits from the definition

of "brokered deposits" in the next Congress. We believe doing so would clarify any uncertainty that would remain in the wake of an FDIC exemption in the risk-based assessment rule.

Thank you for this opportunity to comment.

Sincerely,



Joseph E. Hasten

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