



CAPITOL BANCORP
LIMITED

October 23, 2008

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

Re: Notice of Proposal Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

I am the Director of Government Relations for Capitol Bancorp Ltd. We have our headquarters in Lansing, Michigan and a Western headquarters in Phoenix, Arizona. Our holding company has 52 banks which have been members of Promontory Interfinancial Network. These banks offer the Certificate of Deposit Registry Service, known as CDARS, to their many customers. Our banks rely on CDARS deposits as a stable source of core funding.

For reasons which I will mention in this letter, CDARS deposits should not be included in the FDIC's definition of a brokered deposit for purpose of the Notice's Assessment rule. We are concerned with how CDARS reciprocal deposits would be treated under the new deposit insurance assessment proposal. All of our banks in the Capitol Bancorp holding company are small community banks throughout the United States. To be specific, we are located in 17 states.

As you know, brokered deposits tend to chase national interest rates compared to CDARS CD's where interest rates are set locally. In many of our banks our experience has indicated that the customers renew their CDARS deposits 100% of the time. Furthermore, the customers in our banks take advantage of our CDARS offering because we have been told that they find it more convenient to maintain a single banking relationship with us rather than going to multiple banks only to obtain additional deposit insurance protection.

CDARS deposits, in our experience, do not exhibit any of the characteristics of traditional brokered deposits; therefore CDARS deposits should not be treated like brokered deposits for purposes of the proposed assessment regulation.

For the 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 the banks 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 deposits in the FDI act definition, which would conclusively settle any uncertainty as to the status of CDARS.

Thank you for the opportunity to comment on this proposal.

Sincerely,



Richard C. Houseworth, Director of Government Relations