



**BANK AND TRUST COMPANY**

ESTABLISHED IN 1870

November 6, 2008

Mr. Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

RE: RIN 3064-AD35

Dear Mr. Feldman:

I am Bill Sharp, EVP and Chief Operating Officer of F & M Bank and Trust Company in Hannibal, Missouri. We are \$187 million in total assets with \$140 million in deposits and \$136 million of loans in portfolio. We service another \$50 million of home loans for FNMA, Freddie and FHLB. F & M operates with 8 locations in 6 different communities. We are a member of the Promontory Network and offer CDARS deposits to our customers. Our bank has relied on CDARS as a stable source of funding and feels strongly that CDARS deposits should not be considered brokered deposits.

I am very concerned that the proposed regulation could increase our cost of funding even more than we would otherwise see our costs increase. Our FDIC assessment cost for 2008 will be approximately \$15,000. With the increases already in effect our assessment cost will go to more than \$200,000 in 2009 due to our using up the credits. Considering that our pretax earnings are only about \$1.2 million, the \$200,000 increase on FDIC cost will have a huge negative impact on our ability to serve our markets.

Our bank has approximately \$10 million of CDARS deposits and 100% come from within our marketplaces. The rates paid on CDARS deposits are our regular posted CD rates. The cost of our CDARS deposits is 50 to 100 basis points less than brokered deposit rates. Our CDARS deposits are from established customer relationships and are insulated from rate volatility.

CDARS deposits from established customers actually reduce risk to the FDIC. These deposits provide a source of reasonable cost funding that is stable and has lead to other relationships with our bank. Using CDARS for public funds instead of pledging collateral leaves the bank in a much better position to handle possible liquidity emergencies.

MEMBER  
FDIC

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I would strongly argue that our CDARS deposits are core deposits and should not be considered brokered deposits for any purpose (call report, TFR or FDIC assessment).

We would request that FDIC give its support for legislation that would exclude CDARS deposits from the definition of brokered deposits in the Federal Deposit Insurance Act.

We are also very concerned about the apparent discriminatory treatment being proposed for Federal Home Loan Bank advances. Our bank is an OTS regulated Federal Savings Bank. We have relied upon Federal Home Loan Bank advances as a primary source of funding for many years. We use term advances to help our interest rate risk and they allow us to hold mortgage loans in portfolio that would either not be made or would have to be priced higher. Use of advances allows us to better serve the credit needs of the 6 communities we serve.

A regulation that increases the cost of Federal Home Loan Bank advances by including them in the FDIC assessment base would increase our cost of funding and be damaging to both our bank and the local economy of the 6 communities we serve.

It appears that the proposal has unfairly characterized the potential risks that advances might pose to the FDIC in liquidation. I would argue that use of term Federal Home Loan Bank advances to fund term assets actually reduces risk for our bank and should be encouraged and not penalized.

I do not feel that FDIC should not assess additional assessment for either CDARS deposits or Federal Home Loan Bank advances. Both have been consistent and reliable sources of funding our bank.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'W.M. Sharp', with a large, sweeping flourish extending to the right.

W.M. Sharp, EVP