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Vice Chancellor of Fiscal Affairs

November 5, 2008

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:

I am Kenneth Lynn, Vice Chancellor of Fiscal Affairs for San Jacinto College District. I am pleased to submit our comments on the Federal Deposit Insurance Corporation's (FDIC) proposed changes to deposit insurance assessments and, in particular, to whether reciprocal deposit placement services – such as the Certificate of Deposit Account Registry Service (CDARS) Reciprocal service – should be exempted from the definition of brokered deposits for the purposes of the proposal. For reasons I discuss below, CDARS deposits should be excluded from the Notice's definition of brokered deposit.

Texas is one of the 40 states and the District of Columbia where local governments are enabled to invest in CDARS.

With CDARS a bank can offer a customer – including local governments – access to up to $50 million in Federal deposit insurance coverage.

To offer CDARS, a bank must be a member of the Promontory Network. When a customer places a large deposit with a Network member, the bank arranges for the placement of funds into CDs issued by other Network banks in increments of less than $100,000 to ensure that both principal and interest are eligible for full protection.

The arrangement also ensures that the bank handling the transaction for the customer receives reciprocal deposits from other Network members for the full deposits. This feature, in effect, means that if a local government authority places a CDARS deposit in a local bank, that local bank has the full amount of the deposit on its books to lend locally.

For local governments, CDARS Reciprocal investments have a number of benefits. CDARS eliminates the need for collateralizing public funds deposited at banks and would it allows public entities to make a substantial investment of public funds through one institution, thus reducing costs associated with the investment and management of public funds. Lastly, again CDARS Reciprocal enables local money to remain local, so that a local government's money goes to work in its community as loans to individuals and institutions.

CDARS Reciprocal deposits have all the characteristics of classic core deposits. The funds come from local customers – including local governments -- who generally reinvest their funds when their CDs mature. These certainly are not out-of-market deposits or in any sense "hot money." So defining CDARS Reciprocal deposits as brokered deposit is illogical.

In closing, CDARS deposits should be excluded from the Notice's definition of brokered deposit. Moreover, I see no reason why CDARS deposits should be considered as brokered in the first place. I would urge legislation to exclude CDARS Reciprocal deposits from the definition of "brokered deposits." Thank you for this opportunity to comment.

Sincerely,

Kenneth D. Lynn, CPA
Vice Chancellor of Fiscal Affairs