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Member FDIC

November 4, 2008

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St, N.W.
Washington, D.C. 20429

Re: FDIC Notice of Proposed Rulemaking, RIN 3064-AD35

Dear Mr. Feldman:

Albina Community Bank is officially designated as a Community Development Financial Institution (CDFI) by the U.S. Treasury and is a member of the Community Development Bankers Association. Headquartered in Portland, Oregon, we have $200 million in assets. We are writing to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking, RIN 3064-AD35. In particular, for the purposes of the proposed rule, we strongly urge the FDIC to exclude from its definition of "brokered deposits" those *"deposits received through a network on a reciprocal basis that meet the statutory definition of a brokered deposit."* Without that exclusion, the FDIC's proposed rule would define "brokered deposits" in such a manner as to include reciprocal deposits received through services such as the Certificate of Deposit Account Registry Service (CDARS).

In the early 1990s, the low-income neighborhoods of north and northeast Portland were plagued by high-crime statistics, boarded-up and abandoned houses and wide-scale redlining. We opened our doors in December 1995 to help our Portland neighbors improve the quality of their lives.

To earn certification as a CDFI by the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund, the bank must target 60% or more of its total business activity to low income communities and people.

Community Development Banks (CDBs) make a difference – perhaps the difference – in the lives of people in the communities we serve. We often are the only source of credit and financial services in our communities. We make loans to build and renovate housing so that people have a decent place to live. Our housing lending, in turn, sparks revitalization of other housing in our neighborhoods. We make loans to small businesses so that people will have jobs. The businesses we lend to, in turn, act as magnets that draw other businesses into the community. Our lending has a ripple effect throughout the community far beyond our direct customers, changing a community's dynamic. We are the leaven that lifts up entire neighborhoods by empowering people, individually and collectively, with the resources they need to effect positive change where they live.

We operate in places with modest discretionary income and insufficient means to raise deposits to meet the demand for credit. As an integral part of our strategy, therefore, we raise deposits from

MLK Office
2002 NE Martin Luther King Jr. Blvd
97212

Beaumont Office
4020B NE Fremont
97212

Rose City Office
5636 NE Sandy Blvd.
97213

Social Impact Banking Office
430 NW 10th Ave.
97209

St. Johns Office
8040 N. Lombard
97203

24-Hour Customer Service
800.992.5086
www.albinabank.com

civic-minded and socially-motivated individuals and institutions within our greater market areas. Our experience demonstrates that investors are willing to invest much larger deposits in a CDB if they are assured those deposits are secured. CDARS Reciprocal provides that assurance.

Today CDARS Reciprocal accounts for 26% of the total deposits of Albina Community Bank.

Without CDARS as a magnet for attracting socially motivated investors, we will not be able to originate loans at a scale sufficient to have nearly the positive social impact we have today. The neighborhoods we serve have far fewer deposits available than they have demand for loans. We urge the FDIC to ensure CDARS can continue to play this critical role.

The facts show that CDARS is different from traditional brokered deposits. CDARS Reciprocal deposits are simply not "hot money." CDARS Reciprocal deposits have the characteristics of other core deposits. Very high reinvestment rates. Money deposited by local customers. Interest rates rarely above other local banks in the local market.

Recent financial turmoil has catalyzed a withdrawal by traditional banks from low income markets. As a consequence, CDBs are experiencing a surge in credit demand. To meet demand, CDBs will need to raise more deposits which will, in turn, catalyze growth. As small institutions, such growth makes the FDIC's proposed premium plan, with its inclusion of CDARS in its definition of a brokered deposit, highly problematic for CDBs. One of the triggers in the proposed rule that mandates higher premiums on brokered deposits is growth were "institutions whose total assets were more than 20 percent greater than they had been four years previously, after adjusting for mergers and acquisitions." Furthermore, by defining CDARS Reciprocal deposits as brokered funds, it will likely stigmatize such deposits in the eyes of our institutional depositors. The proposal, as drafted, will cause the media and industry financial analysts to focus on the brokered line of the Call Report. As long as CDARS Reciprocal deposits are not differentiated from the more volatile and costly "hot money," we will have a problem.

We strongly believe that CDARS Reciprocal deposits in an invaluable tool to help Albina Community Bank and other CDBs meet the needs of their communities. Absent an explicit and formal exemption, there is a danger that CDARS and the CDBs that rely on CDARS will end up as collateral damage in the FDIC's broader effort to restrain the use of traditional brokered deposits.

Please help us help our communities. We strongly urge you to exempt CDARS Reciprocal deposits from the definition of brokered deposits in this rule. We also urge the FDIC to support exempting CDARS Reciprocal deposits from the definition of brokered deposits in the FDI Act to eliminate the possibility that CDARS might be swept into future efforts to discourage the use of traditional brokered deposits.

Thank you for your consideration of our views on this important matter.

Sincerely,

Robert L. McKean
Chief Executive Officer

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	Sen. Gordon Smith	404 Russell Senate Office Building Washington, DC 20515
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	Rep. Greg Walden	1210 Longworth House Office Building Washington, DC 20510
	Rep. Earl Blumenauer	2267 Rayburn House Office Building Washington, DC 20510
	Rep. Peter A. DeFazio	2134 Rayburn House Office Building Washington, DC 20510
	Rep. Darlene Hooley	2430 Rayburn House Office Building Washington, DC 20510
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