



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:

I write to urge the Federal Deposit Insurance Corporation (FDIC) to exclude “deposits received through a network on a reciprocal basis that meet the statutory definition of a brokered deposit” -- such as the Certificate of Deposit Account Registry Service (CDARS) Reciprocal deposit service -- from the definition of brokered deposits for the purposes of its recently proposed regulation on assessments and premium..

I am a founder, chairman and CEO of Neighborhood National Bank (NNB) in San Diego. NNB received its charter from the Office of the Comptroller of the Currency in 1997 and was also certified at that time as a Community Development Financial Institution (CDFI) by the U.S. Treasury Departments CDFI Fund. The mission of NNB is to assist in assuring that adequate capital access is provided throughout San Diego County to fund small business (especially those owned by women and minorities), commercial real estate and affordable housing development. All of this is accomplished while assuring that those businesses provide job opportunities to low to moderate-income wage earners. Of the 221 census tracts in NNB’s target market, 51% are designated as low and moderate income based on the 2000 census data. To be a CDFI, we must be sure that 60% or greater of our total lending activity goes to support low income communities and people.

Additionally, as a founder of the Community Development Bankers Association (CDBA) I served as the Chairman of that organization for its first five years. All the members of the CDBA are CDFIs and share many similarities as banks and in terms of the communities we serve. Our members, spread throughout the countries inner-cities, also share my concern for the current required treatment of CDARS deposits as brokered.



Today, CDARS Reciprocal deposits account for 55% of our deposit base. Why do we use CDARS? CDBs such as NNB operate in places with modest discretionary income and there are not sufficient means within the neighborhoods where we target our lending services to meet our deposit needs. Therefore, we raise deposits from civic-minded and socially-responsive individuals and institutions within our market area. Drawing socially motivated investors is an integral part of our strategy. Our experience has shown that these investors are willing to invest much larger deposits in a community development bank if they are assured those deposits are secured. CDARS provides that assurance. Over the past several years, CDARS reciprocal deposits have enabled NNB to significantly scale up our lending activities and to achieve our collective mission of helping underserved people help themselves.

Our CDARS Reciprocal deposits share the following characteristics with our other core deposits:

1. Of our 34 CDARS customers, 86.4% of their deposits are reinvested with us at maturity.
2. Over half (52.5%) of them live within 25 miles of the bank, and close to 95% of them live in San Diego County
3. While our rates are negotiable, the majority of them stay within a 25 basis point range of our posted rate and reflect local competition.
4. We make every attempt to cross-sell into other bank products and services.
5. Critically important to a CDFI bank is the fact that the incremental all-in cost of these deposits is less than the typical "core" deposit that comes in over our teller windows from small average balance customers that require and receive high touch service.

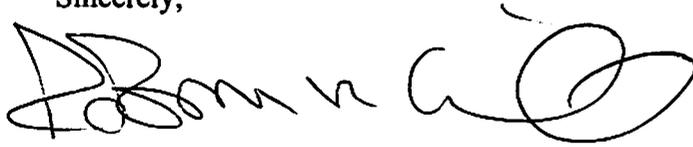
A final concern about your current practice of defining CDARS Reciprocal deposits as brokered funds is that it will likely stigmatize such deposits in the eyes of our investors and depositors. The proposal, as drafted, will cause the media and financial analyst community to focus on the brokered line 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.

In short, CDARS Reciprocal deposits help community development banks meet both economic and social needs of their communities. Absent an explicit and formal exemption, there is a danger that CDARS and the community development banks 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 community. I strongly urge you to exempt CDARS Reciprocal deposits from the definition of brokered deposits for the purposes of this rule. Failure to do so will negatively and disproportionately impact our ability to serve the community. If you have any questions, please feel free to contact me at (619) 789-4416.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. McGill". The signature is fluid and cursive, with a large loop at the end.

Robert M. McGill
Chairman and CEO
Neighborhood National Bank

Cc: Sen. Dianne Feinstein
Sen. Barbara Boxer
Rep. Kevin McCarthy
Rep. Maxine Waters
Rep. Darrell Issa
Rep. Brian Bilbray
Rep. Bob Filner
Rep. Duncan Hunter
Rep. Susan Davis