



CITY FIRST BANK OF DC

We see the possibilities

November 17, 2008

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

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RECEIVED
EXECUTIVE SECRETARY

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

Dear Mr. Feldman:

City First Bank of DC (City First Bank) is Washington, D.C.'s first and only bank solely dedicated to community development finance. Our mission is to support and strengthen underserved communities in Washington, D.C., and the surrounding suburbs. We opened our doors in late 1998. We currently have \$133 million in total assets.

Consistent with our mission, City First has become a major player in the community development sector of Washington. From 2004-2007 we originated more than \$153 million in loans for small companies and non-profit organizations. The financing was for affordable housing development, charter schools, small businesses, and working capital for non profit organizations. Historically between 75% - 84% of our loans are in low to moderate income census tracts. City First financing has helped to create or retain 2,064 jobs, build or preserve 1,474 units of affordable housing and developed over 621,407 square feet of space in community facilities.

In addition, since 2004, the Bank has received \$163 million in New Markets Tax Credit authority. \$147 million has been deployed or is in the process of closing. These credits have leveraged \$291.5 million in private financing. These deployments have been for projects like THEARC in Congress Heights on Mississippi Ave., the Thurgood Marshall Academy Public Charter School on Martin Luther King Boulevard, SE, the E. L. Haynes Public Charter School on Georgia Avenue, Tivoli in Columbia Heights, the Atlas Theater on the H Street corridor.

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 defines "brokered deposits" in such a manner as to include reciprocal deposits received through services such as the Certificate of Deposit Account Registry Service (CDARS).

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City First 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. 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.

As CDFIs, 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.

As most of our customers lack the capacity to maintain significant deposits in our bank, it is necessary for us to use alternative sources to fund our loan growth. As such, an integral part of our strategy is to raise deposits from 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. This is especially true of foundations and non-profit organizations that share our mission. These organizations often have very conservative investment policies to protect their gifts and grants. CDARS Reciprocal provides that assurance and protection.

Today CDARS Reciprocal accounts for 43% of the total deposits of City First Bank.

Our ability to offer CDARS to socially motivated investors, helps City First to originate loans at a scale sufficient to have the positive social impact we have today. 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. CFB's CDARS reinvestment rate is 94.8%. The money is deposited by local customers or those that strongly share our sense of mission. In our case, and we believe this to be general, interest rates are rarely, if ever, 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 beginning to experience a surge in credit demand. To meet demand, CDBs will need to raise more deposits which will, in turn, catalyze growth. For CDB's, such a growth in demand makes the FDIC's proposed premium plan, which includes CDARS in its definition, highly problematic. One of the

triggers in the proposed rule that mandates higher premiums on brokered deposits is growth of “institutions whose total assets were more than 20 percent greater than they had been four years previously, after adjusting for mergers and acquisitions.” When an organization is small, 20% growth in 4 years is quite possible to attain.

Furthermore, by defining CDARS Reciprocal deposits as brokered funds, it’s possible that this will 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 are an invaluable tool to help City First 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,



Dorothy Bridges
President and CEO
City First Bank of DC

cc: Representative Eleanor Holmes Norton
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Washington, DC 20510