

Community Bank

CBD

November 6th, 2008

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

Re: RIN 3064-AD35, Proposed FDIC Premium Increase

Dear Mr. Feldman:

I am writing in response to the Federal Deposit Insurance Corporation's (the "FDIC") request for comments on a proposal to increase deposit insurance premiums. If adopted, the proposal would increase the annual assessment rate for Risk Category I institutions from its current level of 5 to 7 basis points to an assessment rate of 10 to 14 basis points, plus certain adjustments. Assessments for Risk Category II institutions would increase from 10 basis points to 20 basis points, plus adjustments. Among the adjustments is a "brokered deposit adjustment."

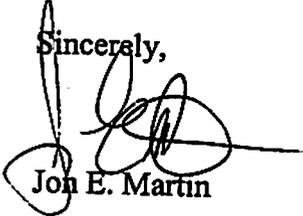
Our bank uses brokered deposits and finds them to be a useful and important source of liquidity, particularly in this economic environment. The use of wholesale funding is become a part of a normal source of liquidity. The increased competition that we face every day in gathering deposits in our local market has made local deposits more "volatile" than a brokered deposit. In fact at certain times our competitors are paying more for deposits than the brokered rates. Are we to pay more for non brokered money in our local market and increase the pressure on our interest margin when we can obtain a lower priced broker deposit? We have had numerous customers over the last few weeks remove a portion of their deposits only to place the cash in their safe deposit box. This compares to none of the brokered deposits requesting any of their funds be returned. The proposed limits are too low and should be adjusted much higher and should be more in line with a 20% to 25% range of current deposits. I believe that a bank that utilizes brokered funding of excess of 30 to 50% of deposits to fund loan growth is excessive. As a small community bank that is the local depository for the city, water department and school district, we can receive large deposits which flow out over time and can skew our deposit numbers when looked at over time. I believe that the criterion for deposit growth over time needs to be reviewed to help situations like this that can impact small community banks. The 20% amount over four years only allows for a 5% growth per year.

I believe the agency needs to further analyze the use of limits and view their use (within reasonable limits) in relation to the bank's size, funding sources and competition.

Mr. Robert E. Feldman
November 6th, 2008
Page 2

I believe that the FDIC should not impose premiums on brokered deposits except as individual bank use warrants an increase.

Sincerely,



Jon E. Martin

Sr. Vice President/CFO