



AMERICAN SECURITY BANK & TRUST

FINANCIAL STRENGTH THROUGH SECURITY

October 17, 2008

Mr. Robert E. Feldman
Federal Deposit Insurance Corporation
550 17th Street North West
Washington, DC 20429

Re: Notice of Proposed Rulemaking (RIN 3064-AD35)

Dear Mr. Feldman:

American Security Bank & Trust Company welcomes the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking proposing changes to the FDIC's deposit insurance assessment regulation.

In particular, we would like to respond to the request for comments on whether "deposits received through a network on a reciprocal basis that meet the statutory definition of brokered deposits be excluded from the definition of brokered deposits for purposes of the adjusted brokered deposit ratio or the brokered deposit adjustment?"

We are headquartered in Hendersonville, TN and as of September 30, 2008 we had \$168,741,551 in assets and three branches. Our bank has served the people of Sumner and surrounding counties for over four years. We offer a full range of products and services to small business concerns and individuals, including the Certificate of Deposit Account Registry Service (CDARS), which meets the description of a reciprocal placement service in your proposal.

Because CDARS deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits, we strongly believe CDARS Reciprocal deposits should be excluded from the definition of brokered deposit for the purposes of this proposal. Furthermore, our CDARS portfolio comprises deposits received from existing customers of the bank including individuals, municipalities, and small business concerns.

Brokered deposits chase national interest rates, compared to CDARS CDs, where interest rates are set by our institution based on rates offered in our community. Most brokered deposits rarely renew or roll over. In our experience CDARS deposits have extremely high reinvestment rates.

Our customers renew their CDARS deposits 92% of the time. This is high by any standard and no different from the roll-over rate in our other traditional CD programs. It also should come as

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no surprise since our customers do not seek out our bank's CDARS program because we pay the highest interest rates. Rather, our customers take advantage of our CDARS offering principally because they find it more convenient to maintain a single banking relationship with us rather than going to multiple banks only to obtain additional deposit insurance protection.

During the traumatic events of the last few weeks, depository institutions' liquidity position would have suffered even more were it not for the CDARS program. If our bank's experience is any indication, CDARS provided an element of deposit stability during this period of depositors' anxiety. Since September 1, 2008, we converted approximately \$10.9 million of our customers CD's to CDARS reciprocal deposit program.

For regulatory tracking purposes banks could very easily separate CDARS deposits on the Call Report as a separate line item or report them as a memorandum item. Such reporting could be achieved by simply amending the call report.

In conclusion, CDARS deposits do not exhibit any of the characteristics of traditional brokered deposits, but rather act as a stabilizing factor for bank depositors. We strongly urge the FDIC to support legislation explicitly exempting CDARS Reciprocal deposits from the definition of brokered deposit in the FDI Act definition, which would conclusively settle any uncertainty as to the status of CDARS.

We appreciate the opportunity to comment on this proposal.

Sincerely,



Attilio F. Galli
Chief Financial Officer

cc: Sen. Bob Corker

Sen. Lamar Alexander

Rep. Bart Gordon

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