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ATLANTIC CENTRAL BANKERS BANK

November 4, 2008

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W,
Washington, DC 20429

Dear Madam Chairwoman:

RE: Fed Funds Treatment under the Temporary Liquidity Guarantee Program (TLGP)

I would like to thank you for meeting with two of our banker bank colleagues last week. Joe Quinlan (Louisiana Bankers' Bank) and Michael O'Rourke (Texas Independent Bankers' Bank) discussed the above issue and as CEO of a bankers bank consisting of over 300 banks in the mid Atlantic region, I felt compelled to offer additional considerations.

I am in support of removing the current proposed limitation on fed funds under the TLGP in addition to reducing the current proposed surcharge of 75 bspts. Another alternative solution would be to place Fed Funds in another category other than senior unsecured debt within the TLGP.

Fed funds is not a Qualified Financial Contract (QFC) and as such needs to be appropriately priced and positioned within our financial markets. This is what I know fed funds contributes to our markets:

- It is the liquidity of the fed funds market which builds and leverages trust within our industry [When fed funds are flowing more markets are accessible. When I ask regional bank CFOs who I sell fed funds to what tight conditions mean to them, they tell me that they forgo many short term funding opportunities like short term paper for municipalities. This is a low margin business and unless you have access to rates within the fed funds market, you're going to save more resources for funding assets of current customers with profit hurdles.]

- The fed funds market is a great check and balance between the private sector and the quasi public sector (GSEs) as well as large banks and smaller banks [After June 30, 2009, banks will sell excess reserves predominately to the 'Big Nine,' who now have a too big to fail perception and the Fed who now offer a competitive rate on excess reserves – 35 bspts under the Target Rate. A fragmented fed funds market will result with continued heavy useage of the Discount Window.]

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- I frequently get late trades ($20 million plus) from banks who have gotten large wires from their municipal customers and need to place the funds overnight or over the weekend in an interest bearing environment. Good luck after June 30, 2009. Municipalities will continue to suffer.

- Fed funds is like the coal miner who takes the canary into the mine. When neither is moving it is not good.

It is my opinion after talking to many regional bankers, as well as, sampling the Big Nine, that many banks will Opt Out of the TLGP due to excessive pricing. We will end up with: banks in a heightened hunkering down mode equating to less liquidity; a fragmented fed funds market; an oligopoly in the fed funds market past June 30, 2009; less short term assets (ie. municipal paper) being funded.

I truly believe your organization is doing what's best for this country, including ways in which to replenish our fund. I remember the last crisis. Our fund was $100 million in the red on December 31, 1992. When we raised assessments to 20 bspts per $100, the fund returned to a surplus of $6.8 billion by June 30, 1992. We can still build up our fund without the 75 bspt premium on fed funds. Also, the placement of fed funds as a senior unsecured debt instrument will create many unintended consequences which will counteract the efforts of other programs within the Rescue package. It is also my opinion that these unintended consequences will be huge.

One last point. The economic engine of the EU is Germany. Germany's package to its banks, as I read it, is as follows: the government has committed to do a package of $635 billion with $585 billion to guarantee inter-bank lending. Why are they so focused on banks trading with one another?

I appreciate your consideration and ask that you do the right thing when considering fed funds. Keep the market liquid by removing the limitation and reducing the punitive surcharge of 75 bspts.

Sincerely,

Jon S. Evans
President & CEO