

From: Fromen, Gunnar [mailto:g.fromen@carolinabank.com]

Sent: Wednesday, December 10, 2008 7:36 AM

To: Comments

Cc: Braswell, Bob

Subject: Deposit funding sources

Ladies and Gentlemen,

As you contemplate the various options to safely fund and stabilize the banking sector, we ask you not to take away those historically sound and reasonable options for the community banking sector that we turn to as circumstances require. You want the underpinning of the rebound to be the banks themselves, via TARP funding, appropriately lending money to kick-start the economy.

However, the entire consumer deposit environment has already been shaken up to the point where these depositors are far more inclined to move funds around to various banks when in the past they were comfortable in leaving many multiples of the insured funds in one institution. This de-stabilization has created an added element of seeking more funding from various sources at a time of course when some of those options have proven to more costly in terms of the rates that have to be paid for those funds. Additionally, traditional non-deposit gathering institutions have now been chartered as either banks or thrifts such as American Express, Lincoln Financial, etc., and their ability to compete in the future without the bricks and mortar of an extensive branch network will give them a competitive advantage as to rate and terms.

Please do not hinder, or make more costly the various options that we as bankers have turned to in our ALCO planning. We are by no means out of the recession woods yet, and we are more likely not to be out of them for a good eighteen or twenty-four months. Let's see how the TARP funding, the added FDIC increased coverage (THANK you for that and it should stay permanently in place), the added insurance on non-interest bearing deposit accounts, all go before other steps are taken prematurely that negate these positive steps.

Thank you for your consideration.

Gunnar N.R. Fromen, EVP
Carolina Bank