

Congress of the United States

Washington, DC 20515

December 12, 2008

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

Re: FDIC Notice of Proposed Rulemaking RIN 3064-AD35

Dear Chairman Bair:

We welcome the opportunity to provide this letter in response to the Federal Deposit Insurance Corporation's (FDIC) specific request for comments on the appropriateness of treating reciprocal deposits placed through a network differently than traditional "brokered" deposits.

We have heard from numerous community banks in our districts, our states, and nationally that FDIC's proposed rulemaking could make it materially more difficult for community banks to attract needed funding for local loans from local sources. We understand that you have received about 3,000 comments from bankers and banking organizations who raise serious concerns about the proposal, which could impose a higher insurance assessment on deposits that are currently included in the definition of "brokered deposits," even though these deposits are not invested by a traditional deposit broker, but rather are exchanged among banks on a reciprocal basis. The bankers argue that reciprocal deposits placed through a banking network comprehensively differ from traditional brokered deposits in significant and meaningful ways and should not be subject to special premiums placed on volatile brokered deposits. In light of those concerns, this proposal should be weighed carefully.

We are deeply supportive of the role that community banks play locally and in the economy generally. Community banks make needed loans to households, to the small businesses that are the engines of economic growth, to houses of worship and to other local borrowers. To make these loans, community banks need to be able to attract stable large-dollar deposits available locally. Reciprocal deposit placement services that enable them to do so should not be treated or stigmatized as "hot money."

The bankers' concerns should be taken seriously when the FDIC Board of Directors weighs the proposal.

Sincerely,



Carolyn Maloney
Chair
Subcommittee on Financial Institutions
and Consumer Credit
Committee on Financial Services
U.S. House of Representatives



Judy Biggett
Ranking Member
Subcommittee on Financial Institutions
and Consumer Credit
Committee on Financial Services
U.S. House of Representatives