

From: Tom Cherry [mailto:TCherry@cffc.com]
Sent: Wednesday, December 17, 2008 4:27 PM
To: Comments
Subject: Assessments - RIN-3064-AD35

FDIC Executive Secretary Feldman:

I am writing to express concerns about the Federal Deposit Insurance Corporation's notice of proposed rulemaking published in the Federal Register on October 16, 2008. In this notice, the FDIC is proposing to increase deposit insurance premiums and apply potentially higher premiums on federally-insured depository institutions that use secured liabilities to manage risk and complement core deposits.

In particular, I am concerned that this proposed regulation could increase the cost of funding for my financial institution, even though it uses a variety of secured funding sources, including Federal Home Loan Bank (FHLBank) advances, third party lines of credit and Federal Reserve primary credit borrowings, as a consistent, reliable source of liquidity. While I respect the importance of the Deposit Insurance Fund (DIF) and appreciate the effort by the FDIC to restore its balance, any regulation that discourages prudent borrowing measures or increases the cost of borrowing from other sources would be counterproductive and potentially damaging to the economy in the current environment.

As a banker who uses secured liabilities prudently and within the context of a broader asset-liability management program, I also believe this proposal unfairly characterizes the potential risks that this funding tool would have on the DIF. In fact, discouraging the flexible use of secured borrowings may prompt greater dependence on more volatile sources of wholesale funding or prompt institutions to raise interest rates on deposits, an unintended consequence that may lead to higher costs of borrowing in my community. This proposal also suggests that I limit the amount of credit that I can make available in my community when the ability to raise core deposits does not keep pace with loan demand. In essence, the proposal could require banks like mine to limit credit at this moment when sound lending at competitive interest rates is critical to economic health.

After assessing this proposed regulation, I also would recommend that the FDIC utilize its "extraordinary circumstances" authority to extend the time period to rebuild the DIF from five to ten years. This extension will limit unnecessary financial stress on insured depository institutions. In light of our extraordinarily fragile domestic and global banking system and the numerous sweeping measures the FDIC, U.S. Treasury and the Federal Reserve have taken to restore stability and confidence, I do not believe that increasing insurance premiums is appropriate at this time.

I sincerely appreciate the FDIC's work to support recovery of the credit markets, but I strongly urge the corporation to maintain its current assessment formula and revisit this issue in the latter part of 2009, allowing time for the full array of deposit insurance related-issues to be better considered. I also ask that you not increase the cost of secured borrowings, which has constituted a consistent and reliable funding source during this crisis.

Sincerely,

Larry G. Dillon
President & CEO
Citizens and Farmers Bank