900 West Main St. • Lebanon, TN 37087
(615) 443-1411 • fax (615) 443-7087

1499 North Mt. Juliet Road • Mt. Juliet, TN 37122
(615) 754-1411 • fax (615) 754-0524

2900 Lebanon Road • Nashville, TN 37214
(615) 874-1444 • fax (615) 871-9010

CEDARSTONE
BANK

Robert E Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

December 16, 2008

Re: RIN 3064-AD35, Proposed FDIC Premium Increase

Dear Mr. Feldman:

I am writing in response to the Federal Deposit Insurance Corporation's (the FDIC) request for comments on a proposal to increase deposit insurance premiums. If adopted, the proposal would increase the annual assessment rate for Risk Category I institutions from its current level of 5 to 7 basis points to an assessment rate of 10 to 14 basis points, plus adjustments. Among the adjustments is a "brokered deposit adjustment."

Our bank uses brokered deposits and finds them to be a useful and important source of liquidity, particularly in this economic environment. Deposits obtained through registered broker-dealers are a cost-effective funding source that is frequently less expensive than other funding options available to us, and should not be needlessly discouraged.

There is no evidence that the 10% brokered deposit threshold and the 20% growth threshold are closely related to the risk of losses to the deposit insurance fund. The 20% growth threshold over four years allows only 5% growth per year, which cannot be viewed as "aggressive."

Furthermore, the 10% brokered deposit threshold will discourage reasonable brokered deposit use above that amount because banks and their examiners will view it as a cap. Banks reporting more than 10% brokered deposits will be viewed with suspicion by rating agencies and the financial press. To avoid this stigma, banks will look to other, more expensive, sources of funds.

We believe that the FDIC should not impose premiums on brokered deposits except as individual bank use warrants an increase.

Sincerely,

Ken Mattox
SVP & CFO