FEDERAL SAVINGS BANK
A UNIFI Company

December 16, 2008

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

RE: Notice of Proposed Rulemaking and Request for Comment
Revision of Deposit Insurance Assessment Rates
RIN 3064-AD35

Dear Mr. Feldman:

Acacia Federal Savings Bank thanks the FDIC for the opportunity to respond to the proposed rule. We have serious reservations about the proposed rule and its potential consequences on banks and how they conduct business. It is also fair to say that the actions taken by the U.S. Treasury, the Federal Reserve and the FDIC over the last two months have significantly changed the landscape under which the proposed rule was originally drafted.

In the overview section of the proposed rule the following statement is made: "The proposal should also make the risk-based assessment fairer, by limiting the subsidization of riskier institutions by safer ones." This statement alludes entirely to the liability side of the balance sheet. This in itself seems seriously flawed. It is the asset side of the balance sheet that drives institutions into receivership, and not how those assets are funded. In the recent environment one could make the same argument about off balance sheet exposure. Permit us to pose several questions of our own. Did Citigroup, WAMU, Wachovia, and National City fit the proposed rule's definition of outliers as regards the use of brokered deposits or secured liabilities? What risk premium should the banks that are too big to fail be paying? What does the CAMELS rating system exist for if not to assess an individual institution's risk to the deposit insurance fund?

With regard to the main body of the proposed rule, the thresholds indicated for brokered deposits and secured liabilities are arbitrary and do not appear to be based upon statistical analysis. At the time the proposed rule was drafted the thresholds were artificially low. The lack of liquidity in the financial markets has made the prospect of them even more burdensome. Brokered CDs and secured liabilities, particularly FHLB advances, have become mainstays to bank funding. They have been the only sources of liquidity available for many months now.

A well managed bank from a liquidity perspective should have access to and use multiple sources of funding. A bank with a total reliance on retail deposits, and no meaningful liquidity contingency plan, poses a risk too. During most phases of a business cycle brokered deposits and FHLB advances are less expensive sources of funds than are retail CDs. In addition, unlike with retail CDs the issuer can control the term structure and embed options to better match fund assets. As banks are in business to make money should they not be able to employ whatever funding source mix is appropriate to achieve reasonable earnings within the constraints of sound liquidity, interest rate risk, and balance sheet management practices? Furthermore, unlike retail deposits there is no such thing as a run on brokered CDs. There is no withdrawal option on brokered CDs until the stated maturity date, except for the owner's death or under a receivership.

We urge the FDIC to withdraw the proposed rule until at least the end of 2009 in order to delay its financial impact on the banking industry, and so as to not worsen liquidity conditions in the marketplace. At a minimum we would ask that the FDIC utilize its "extraordinary circumstances" authority to extend the time frame to rebuild the insurance fund to ten years and to target a reserve ratio of 1.15% rather than 1.25%.

Sincerely,

Louis C. Kiessling III
President & COO