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Subcommittee on Domestic and International Monetary Policy Trade and Technology

COMMITTEE ON SMALL BUSINESS

Congress of the United States House of Representatives

DENNIS MOORE

Third District, Kansas http://moore.house.gov

December 17, 2008

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TDD: (hearing/speech impaired constituents)

THE HONORABLE SHELLA C. BAIR CHAIRMAN FEDERAL DEPOSIT INSURANCE CORPORATION 550 17th Street, NW WASHINGTON, DC 20429-0002

Re: FDIC Notice of Proposed Rulemaking RIN 3064-AD35

Dear Chairman Bair:

As you know, the Federal Deposit Insurance Corporation (FDIC) has proposed imposing a higher insurance assessment on deposits that are currently included in the definition of brokered deposits. Some of these deposits are not placed by a traditional deposit broker, but rather are exchanged among banks in a network on a fully reciprocal basis.

Deposits reciprocally exchanged among a network would be considered brokered deposits for the purposes of the FDIC proposal, which would create a new system of deposit insurance premiums. The new system would impose a premium surcharge on banks using brokered deposits in certain circumstances. The Promontory Interfinancial Network provides reciprocal placement of deposits through the Certificate of Deposit Account Registry Service. More than 80 Kansas banks are members of the Promontory Network. I understand that the FDIC has received thousands of letters, including letters from more than 30 Kansas bankers, on the proposal urging the agency to exclude Certificate of Deposit Account Registry Service (CDARS) Reciprocal deposits from the brokered deposit definition. In addition, the Kansas Bankers Association wrote a letter that expressed its support for excluding CDARS from the definition.

If imposed, the proposal could make it significantly more difficult for banks, and particularly for local community banks, to obtain much-needed funding for local loans. And it would make it more difficult for depositors – including municipal depositors – to keep money in their local communities. The proposal, as written, does not distinguish CDARS Reciprocal deposits from standard brokered funds, even though they behave nothing like standard brokered deposits. CDARS deposits come from local, not national, depositors. In fact, 80 percent of all CDARS placements are made by customers within 25 miles of their bank's location. Also, the cost to bank for CDARS Reciprocal deposits is substantially less than standard brokered funding. CDARS deposits have a high reinvestment rate – — more than 83 percent across the Promontory Network — unlike a standard brokered deposit.

Finally, I hope the FDIC also will take into account today's extraordinary economic circumstances when finalizing its rule on deposit assessments. As you are well aware, several of our nation's largest financial institutions have failed or have almost failed. Depositors are fearful and are seeking secure options like CDARS Reciprocal in a difficult time. I would encourage the FDIC to reconsider this proposal, and exclude reciprocal deposit services such as CDARS from the definition of brokered deposits.

ours

DENNIS MOORE
Member of Congress

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