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To: Comments
Subject: RIN 3064-AD35

December 15, 2008

RIN 3064–AD35
Federal Deposit Insurance Corporation (FDIC)

I appreciate the opportunity to comment on the FDIC's proposal to raise premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system.

I support changes to the premium calculation that truly reflect the risk of loss to the FDIC. However, as a healthy bank that had nothing to do with the current problems, I believe that the aggressive recapitalization proposed would be counterproductive and would limit my bank's ability to meet local credit needs. This in particularly important as the 'credit crisis' continues to impede the national economy. The proposal will significantly raise premium assessments to aggressively recapitalize the insurance fund in five years to over 1.25 percent of insured deposits. Yet the Federal Deposit Insurance Reform Act requires the FDIC to rebuild the fund to 1.15 percent in five years and to take longer when there are "extraordinary circumstances." There is no question that these are extraordinary circumstances and excessively high premiums only reduces the resources that I have available to lend in my community. It is also counter to other efforts by Congress and the Treasury to stimulate lending. Premium rates should be substantially less than what is proposed.

I am also writing to comment on the penalty assigned for our use of Federal Home Loan Bank advances greater than 15 percent of deposits. My bank, One World Bank, is less than four years old. It has relied on these advances as an important complement to deposit funding and we have used these in a safe and sound manner. The availability of FHLB advances serves as a significant component for our contingency liquidity planning. In addition, these advances are a stable source of liquidity that allows us to manage our overall cost of funding. In the current volatile environment, there are often weaker institutions that have bid up the cost of local retail deposits. I have found that my bank is competing for time deposits that have a market price that is greater than the Prime Lending Rate. FHLB advances provide a lower cost of funding than local deposits. Without advances, we will be forced to rely on these deposits more heavily during these periods. In fact, the availability of advances was particularly useful during the last several months. If the FDIC added a significant penalty, this would do nothing more than raise the cost of funding – with no change in the risk of the assets that I fund – and end up reducing my bank's profitability. Thus, raising the cost of funding by FDIC is inconsistent with safe and sound banking. Second, we use advances to match-fund longer term loans. This allows banks like mine to effectively manage our interest rate risk. This type of funding is not available elsewhere. Adding an additional cost is not consistent with safe and sound banking.

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