Principal
Bank

December 16, 2008

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Sent via E-mail to Comments@FDIC.gov

Subject: RIN 3064–AD35

Attention: Comments

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. A strong FDIC insurance fund is important to maintaining depositor confidence and 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. In addition, I believe that the proposal should remove the Certificate of Deposit Account Registry Service (CDARS) from inclusion in the brokered deposits ratio as these deposits allow my bank to retain customers and keep funding local.

The proposal would significantly raise premiums 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.

While I too am troubled that some recent failed or troubled banks have used brokered deposits to grow rapidly and fund risky assets, it is unfair to include CDARS deposits in with other, more volatile, forms of brokered deposits. We are planning to use CDARS to satisfy the needs of our depositors that want the surety of deposit insurance protection, but maintain the relationship with our bank. CDARS allows us to meet that need and to keep the funding within our community. We may or may not actually have CDARS deposits outstanding at our bank. Without this, these depositors are likely to withdraw money from our bank and spread it on their own or through brokers to banks that truly are higher risk and paying high interest rates. Moreover, some of our depositors will use the Internet to find high rates around the country – and these types of volatile deposits are not even covered by the proposed rule.

Thus, the FDIC should exclude CDARS from the calculation of brokered deposits. This method of funding is not risky and any concerns should be raised as part of the examination process – which is included in the premium calculation. It is patently unfair to penalize banks like mine that use these stable sources of funding.

Sincerely,

William J. Hayen

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