



*Main Facility:*

353 BANK DRIVE • McHENRY, ILLINOIS 60050  
(815) 385-3000 • FAX: (815) 385-4433 • www.mchenrysavings.com

October 17, 2008

Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

RE: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking,  
RIN 3064-AD35

Dear Mr. Feldman:

McHenry Savings Bank (MSB), \$270,485,000 in assets and 5 branches, was the second financial institution in Illinois to offer CDARS Reciprocal deposits to its customers. Due to the fact that the \$100,000.00 FDIC insurance limit had not been reset to adequately reflect inflation in over 25 years, what was originally generous coverage had become inadequate. The CDARS Reciprocal program has allowed MSB to serve its customers by safeguarding their deposits in excess of \$100,000.00. It is done by exchanging our deposits with other financial institutions whose customers have similar needs. CDARS also keeps our customers' information private so that they are not solicited by the participating institutions.

It is an error for the definition of "Brokered Funds" to include CDARS. In the Reciprocal program we only achieve deposits by opening accounts with **customers who come to us first** to begin the process. They are OUR customers who have often had a decades-old relationships with MSB and repeatedly renew their CDARS deposits. WE set the interest rate, not some other institution or broker. The transaction truly is a local one completely owned by us. It in no way resembles a brokered deposit where the money comes from unknown sources at terms and rates chosen by others. It results in lower costs to us with no need to pledge collateral to large-balance depositors.

The above-referenced proposed rule would penalize financial institutions like MSB which have developed a significant portfolio of CDARS Reciprocal deposits. The argument that, because CDARS deposits do not currently show up on call reports they should be considered brokered, is invalid due to the ease with which financial institutions could separately report such deposits.

***Downtown:***

1209 N. Green St.  
McHenry, Illinois  
60050

***Richmond:***

Route 173 & Main St.  
Richmond, Illinois  
60071

***Johnsburg:***

4000 N. Johnsburg Rd.  
McHenry, Illinois  
60050

***Huntley:***

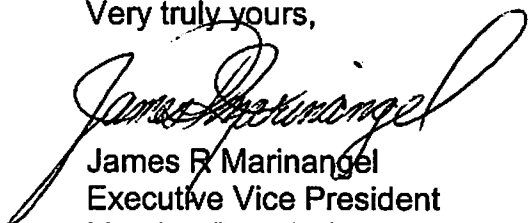
10390 Route 47  
Huntley, Illinois  
60142

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In conclusion, CDARS Reciprocal deposits should be excluded from the Notice's definition of brokered deposits for any purpose.

I appreciate your consideration of my comments and am available for any assistance I might provide on this issue.

Very truly yours,

A handwritten signature in black ink, appearing to read "James R. Marinangel", written in a cursive style.

James R. Marinangel  
Executive Vice President  
Member Board of Directors MSB

cc: Sen. Barack Obama  
Sen. Richard J. Durbin  
Rep. Melissa Bean  
Rep Donald A. Manzullo