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October 17, 2008

Robert E. Feldman  
Federal Deposit Insurance Corporation  
550 17th Street North West  
Washington, DC 20429

Re: Notice of Proposed Rulemaking (RIN 3064-AD35)

Dear Mr. Feldman:

Peoples State Bank welcomes the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking proposing changes to the FDIC's deposit insurance assessment regulation.

In particular, we would like to respond to the request for comments on whether "deposits received through a network on a reciprocal basis that meet the statutory definition of brokered deposits be excluded from the definition of brokered deposits for purposes of the adjusted brokered deposit ratio or the brokered deposit adjustment?"

We are headquartered in Prairie du Chien, WI and we have \$328,091,000 in assets and 10 branches. Our bank has served the people of Wisconsin for more than 94 years. We offer a full range of products and services, including the Certificate of Deposit Account Registry Service (CDARS), which meets the description of a reciprocal placement service in your proposal.

Because CDARS deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits, we strongly believe CDARS Reciprocal deposits should be excluded from the definition of brokered deposit for the purposes of this proposal.

Brokered deposits chase national interest rates, compared to CDARS CDs, where interest rates are set locally. Brokered deposits rarely renew or roll over. CDARS deposits, on the other hand, have extremely high reinvestment rates.

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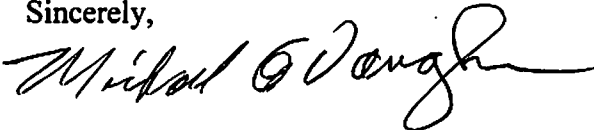
Our customers renew their CDARS deposits 93% of the time. This is high by any standard and no different from the roll-over rate in traditional CD programs. It also should come as no surprise since our customers do not seek out our bank's CDARS program because we pay the highest interest rates. Rather, our customers take advantage of our CDARS offering because they find it more convenient to maintain a single banking relationship with us rather than going to multiple banks only to obtain additional deposit insurance protection.

Since CDARS deposits do not exhibit any of the characteristics of traditional brokered deposits, CDARS deposits should not be treated like brokered deposits for purposes of the proposed assessment regulation. For banks, separately reporting CDARS deposits on the Call Report would be simple. Such reporting could be achieved by simply amending the call report or allowing us to report the figures separately. In addition, we strongly urge the FDIC to support legislation explicitly exempting CDARS Reciprocal deposits from the definition of brokered deposit in the FDI Act definition, which would conclusively settle any uncertainty as to the status of CDARS.

*I am adding this paragraph in italics to indicate that these are my words, not simply the words of the many other similar letters you will receive from CDARS users. Our bank is well capitalized, leverage capital is over 10%, risk weighted capital is over 13%. We are 105% loaned up and as a result use CDARS, brokered deposits and FHLB borrowings. The true affect of this combination is that we have loans outstanding to our customer base that other institutions do not make. We are competitive and our pricing is fair to our customers. I hate to have to resort to reduced lending levels in order to get under the guidelines to avoid the extra penalties afforded to banks that have the appearance of brokers' deposits and extending to debt such as that to FHLB.*

We appreciate the opportunity to comment on this proposal.

Sincerely,



Michael G. Vaughn, CPA

Chief Financial Officer