STATE EXCHANGE BANK

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:

The The State Exchange 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?"

Our bank has been locally owned and operated for over 107 years. We are located in Lamont, Oklahoma, which is a rural area in the north central part of the state. 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. As of 9/30/08, we had $48,938,289 in assets. Total deposits were $40,800,472 (CDARS reciprocal balances comprised 4% of these deposits). However, with the withdrawal of Kansas Bankers Surety withdrawing from the deposit guarantee market, we anticipate much greater participation in CDARS, but surely don't want our call reports to reflect a greater dependence on "brokered" deposits, when in actually, these are the same deposits that have been on our balance sheet for years. Our bank's loan to deposit ratio is 100% - these local deposits are crucial to our funding and at a much lower rate than the national brokered CD rates.

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.

P.O. BOX 7 - (580) 388-4345 - FAX (580) 388-4376 - LAMONT, OKLAHOMA 74643

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.

Our customers renew their CDARS deposits 91% 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.

We appreciate the opportunity to comment on this proposal.

Sincerely,

Nancy Hohmann

Nancy Hohmann, Vice President

cc:	Sen. Tom Coburn	172 Russell Senate Office Building Washington, DC 20510
	Sen. James M. Inhofe	453 Russell Senate Office Building Washington, DC 20510
	Rep. Frank D. Lucas	2311 Rayburn House Office Building Washington, DC 20515