

October 28, 2008

[assessments@fdic.gov](mailto:assessments@fdic.gov)

**RE: *FDIC Proposal to Change the Risk-Based Assessment Calculation  
FIL-106-21008***

Dear Sir or Madam:

I am writing in response to the October 7, 2008 CEO alert issued by the ABA in conjunction with the FDIC's proposal to change the risk-based assessment calculation for premiums in 2009. West Gate Bank is a community bank based in Lincoln with eight branches and \$263 million in assets. Due to strong loan demand and a competitive deposit market, West Gate Bank utilizes brokered deposits and Federal Home Loan Bank advances to fund a portion of our loans. West Gate Bank is a state-chartered institution and has always received excellent ratings from the Nebraska Department of Banking and the FDIC including a CRA rating of "Outstanding" for the past 10+ years.

**Brokered Deposits**

West Gate Bank utilizes brokered deposits for a number of reasons including the following:

1. Brokered deposits are often less expensive than our local deposit market
2. Brokered deposits can be structured in a way that assists in the asset-liability management of the bank.
3. Brokered deposits are efficient to obtain and require no retail support and no advertising/marketing funds to obtain.
4. Brokered deposits are necessary to meet strong local loan demand, particularly for community banks that have flexible loan underwriting but do not have national branch networks for gathering deposits.

### **Secured Liabilities**

With regard to charging higher premiums based on FHLB advances, we believe the proposed FDIC formula is simplistic and ignores the more fundamental question of examining the assets to which the funds are being invested. West Gate Bank utilizes FHLB advances for a number of reasons including the following:

1. FHLB advances are frequently below the cost of local deposits.
2. FHLB advances can be structured in a manner that assists with our ALM guidelines. Local retail customers are not willing to purchase long-term CDs which are necessary to match longer term fixed rate loans.
3. FHLB advances are highly efficient and require no marketing/advertising funds or retail support.
4. Overnight FHLB advances are the lowest cost funding option for community banks. This greatly enhances margins and profitability.

We believe the reasonable use of brokered deposits and FHLB advances is prudent and in the long-term best interest of banks such as West Gate Bank. While not a substitute for local deposits, such local deposits in markets such as Lincoln, Nebraska can be difficult and expensive to obtain.

More fundamentally, we believe the FDIC's risk analysis should focus on the following criteria which are much more telling in terms of risk than simply focusing on brokered deposits and secured liabilities:

1. *Asset quality.* The State Department of Banking and FDIC assign an asset quality rating as part of the CAMEL rating system during each examination, and we believe weight should be given to this criteria as part of the premium calculus.
2. *Compliance rating.* Banks such as West Gate Bank strive to employ best practices in all aspects of compliance yet receive no monetary reward for doing so. It is time for the FDIC to utilize compliance ratings in the calculation of premiums.
3. *CRA rating.* West Gate Bank works very hard and expends considerable resources to obtain its "Outstanding" CRA rating. Banks receiving this highest rating should be rewarded through reduced premiums.

In summary, asset quality, compliance and CRA ratings should be used in a more definitive manner in the calculation of premiums. The use of brokered deposits and/or secured liabilities in itself is not an accurate proxy with respect to the risk of the underlying financial institution. We respectfully urge policy makers to utilize the existing ratings framework and leverage it in a meaningful way into the FDIC premium calculation.

Please share this communication with the FDIC and policy makers as you see fit. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

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cc: West Gate Bank Board of Directors  
West Gate Bank Executive Committee

CSJ/tsl  
FDIC proposal-lt  
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