From: Newell, Chris [mailto:Chris.Newell@ANB.COM]
Sent: Tuesday, October 28, 2008 4:38 PM
To: Comments
Cc: Kerns, Ross; Newell, Chris; Callahan, Stan
Subject: RIN 3064-AD35

October 28, 2008
Via email:
Comments@fdic.gov

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

RE: RIN 3064-AD35

Dear Mr. Feldman:

Amarillo National Bank, a $2.6 billion asset community bank located in the Texas Panhandle, thanks the FDIC for allowing comments on the proposed amendments to FDIC Insurance assessments revising rates and differentiating risk. In the following paragraphs we express our ideas on this proposal. In particular we comment on the request for comments regarding brokered deposits:

"Should deposits received through a network on 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" If so, how?".

Briefly, we believe the proposal to exclude reciprocal deposits from the definition of brokered deposits for purposes of both the adjusted brokered deposit ratio and the brokered deposit adjustment is a valid one. A simple line adjustment from the CALL report brokered deposit information could remove the reciprocal deposit from the total in the report to determine insurance assessment.

FDIC has stated "It defines a risk-based system as one based on an institution's probability of causing a loss to the deposit insurance fund due to the composition and concentration of the institution's assets and liabilities, the amount of loss given failure, and revenue needs of the Deposit Insurance Fund." The point being is to place a premium on those riskier assets and liabilities.

Amarillo National Bank uses reciprocal deposits (in this case Certificate of Deposit Registry Services) to build face-to-face old-fashioned banking relationships with traditional banking customers – charities, trusts, business, higher net-worth individuals – that want to have stable banking relationships, but also want the security of FDIC insurance. This customer need is particularly true in today's environment where fear of loss is a national phenomenon threatening the soundness and safety of the banking system.

Our bank has recently begun to participate in the reciprocal CDARS program with just under $107 million as of September 30, 2008. We realize that this amount represents a small enough percent to prevent us from being subject to the trigger of paying an increased premium at this time. However, with 50% of our deposits estimated to be uninsured, our participation could increase significantly. We could find ourselves on the horns of a dilemma: subjecting ourselves to an increased premium for what is considered a stable funding source to provide our customers

with FDIC insurance or risk the run-off of deposits from being unable to provide inexpensive alternatives to customers seeking adequate FDIC insurance coverage.

CDARS Reciprocal deposits (used the same as "CDARS" in these comments) are the opposite of the risk implied with brokered deposits. They behave like stable core deposits. CDARS allows banks to exchange customer deposits with one another so that their customers can obtain FDIC protection by having their deposits placed in multiple banks, each able to provide $100,000 in coverage while the banks can retain the funding ($250,000 temporarily until December 31, 2009). Research indicates CDARS have a high reinvestment rate – 83% YTD in 2008. On average 80% of CDARS placements are made by customers within 25 miles of a bank's branch location at rates set by local competitive markets, not a national market.

If FDIC policy penalizes the use of brokered funding by some fast-growing institutions, it will also penalize the use of reciprocal CDARS unless it provides a method to remove them. Including CDARS in a category of special risk will result in two actions. It will impair a stable funding source of FDIC insurance coverage for fearful customers at precisely the time when it is needed most. If CDARS are included in the definition with "hot" or volatile funds, it will stigmatize what everyone agrees is a good product and cause banks to look for other sources of funding. In fact, reciprocal CDARS actually can reduce the FDIC's risk to the extent it may encourage some portion of the dollars in uninsured balances presently on deposit in banks considered too-big-to-fail to be redistributed to the nation's well-capitalized community banks.

Since reciprocal CDARS deposits are built on established customer relationships, demonstrate a high degree of "stickiness" and are insulated from any rate volatility in the national CD market, they should be treated like core deposits and not subject to any new premium surcharge.

Thank you for this opportunity to comment.

Sincerely,

Stan Callahan
Executive Vice President

Ross Kerns
Senior Vice President & Controller