

METUCHEN SAVINGS BANK

ESTABLISHED 1897



October 23, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington D.C. 20429

RE: Notice of Proposed Rulemaking and Request for Comment

Dear Mr. Feldman:

After listening in on the conference call that was sponsored by the ABA, I am greatly disappointed in the methodology the FDIC employed to reach their proposal. Let me lead you through the points that adversely effect small community banks while benefitting less capitalized banks.

Point Number One - In this ABA sponsored phone call with the FDIC, the FDIC staff spoke of a penalty on banks having more than 15% of FHLB borrowings compared to their deposits. Community banks use borrowings to reduce their cost of funds and increase their net income. To have an assessment on borrowings, which were executed prior to the effective date of the new rates, penalizes sound business decisions that improved prior and current earnings.

Point Number Two - One major factor of why community banks used FHLB borrowings is the pricing of deposits, held by either banks that are under conservatorship (Indy Mac Bank pays in top 10% of rates paid) or banks that have to raise liquidity because of outflows of deposits due to loan issues. (Wachovia Bank, prior to the Wells Fargo takeover and JP Morgan Chase, used retail deposits to raise their liquidity level rather than issue stock which would have diluted the holdings of their other shareholders.)

Point Number Three - During the course of the phone call, the FDIC staff mentioned that camel-rating banks of 3 and 4 would not be fully assessed the premium to match their risk to the fund. Typically, banks with these ratings add a higher risk of failure due to prior risky activities. In most cases, they offer deposit rates higher than the average. This is not fair to risk adverse and well-capitalized banks. These banks should be liquidated rather than be allowed to continue in operation.

These are compelling reasons why our Bank feels that the FDIC needs to re-evaluate the current proposal and make it more equitable.

Yours truly,

A handwritten signature in black ink, appearing to read 'Edward P. Mc Govern', written over a horizontal line.

Edward P. Mc Govern
Chief Financial Officer