February 24, 2009

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

Re: Part 337—Interest Rate Restrictions

Dear Mr. Feldman:

The Conference of State Bank Supervisors (CSBS) appreciates the opportunity to comment upon the FDIC's notice of proposed rulemaking on Interest Rate Restrictions on Institutions That Are Less Than Well-Capitalized. CSBS supports the proposal and applauds the FDIC for bringing transparency to an otherwise opaque and inconsistent process. The proposal will provide depository institutions and examiners with a clear method for calculating applicable interest rate caps.

However, we encourage the FDIC to consider the impact non-depository market participants are having upon the prevailing rates in an institution's normal market area. A single non-depository market participant can skew the institution's normal market area considerably, which can result in the national rate being considerably different than a particular normal market area.

The rule provides for a bank that believes it is operating in a high-cost market to define its market area and support its belief that the prevailing rates in that area are above the national rate. With the technology resources available, we urge the FDIC to post on its website those markets that qualify as a higher-rate market. This will further enhance transparency and provide institutions with a useful resource in determining the appropriate interest rate.

Finally, CSBS would like to reiterate a suggestion we made in a letter addressed to Chairman Bair dated December 17, 2008 (please see attached letter). CSBS believes institutions falling below well-capitalized should be allowed time to reduce their dependence on brokered funds. While we believe the current waiver process should continue, absent a waiver from the FDIC institutions are required to stop accepting or renewing brokered deposits. We are concerned that this provision is unnecessarily creating liquidity events. We recommend banks be given 12 months to unwind the positions, reducing the balances each month by 1/12 of the amount as of the determination date. This will allow the bank to reduce its dependence on brokered deposits over time, while helping

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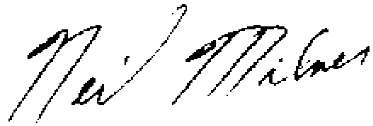
to ensure adequate liquidity is maintained as the bank works to enhance capital and reduce its risk profile. We believe this provision needs to be incorporated in the final rule to provide a clear, reliable framework for the industry.

Again, thank you for the opportunity to comment and for your consideration.

Best regards,



Neil Milner
President and CEO

December 17, 2008

Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: Brokered Deposit Rule, Part 337.6

Dear Chairman Bair:

Over the last several months, state bank regulators have been concerned with the stringent provisions of Part 337.6 of the FDIC's Rules and Regulations as it pertains to brokered deposits. We understand the FDIC has a legal mandate to apply restrictions on the acceptance of brokered deposits when a bank drops below well capitalized. However, we believe the FDIC can make changes to its current rule which will meet the legal requirement while lowering the bank's risk profile in a more orderly manner.

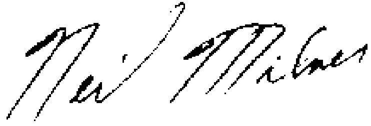
First, we believe institutions falling below well capitalized should be allowed time to reduce their dependence on brokered funds. Absent a waiver from the FDIC, institutions are required to totally stop accepting or renewing brokered deposits. This unnecessarily creates a liquidity problem for the institution and deters management's focus from other safety and soundness issues which may need to be addressed. We recommend banks be given 12 months to unwind the positions, reducing the balances each month by 1/12 of the amount as of the determination date. This will allow the bank to reduce its dependence on brokered deposits over time, helping to ensure adequate liquidity as the bank works to enhance capital and reduce its risk profile.

Second, institutions need greater latitude in the pricing of deposits from the local market. The current rule sets an upper limit of 75 basis points above the average of other banks operating in the area. We recommend the limitation be the average of the top five ratepayers of all firms soliciting in the market area. Banks not seeking deposits for a given maturity will have artificially low pricing, pulling down the average. This makes it very difficult for a bank to price deposits competitively. The average should also include national companies which may not have a physical presence in the market but actively solicit deposits. Limiting the calculation to other local institutions does not fully capture the competitive landscape in a given market.

We believe these changes will give institutions an opportunity to gradually and safely reduce their use of brokered deposits, while allowing the FDIC to meet your statutory requirements and supervisory needs.

Thank you for your time and consideration. Please feel free to contact me if you would like to discuss this further.

Best personal regards,



Neil Milner
President and CEO