"COMMUNITY" FINANCIAL BANK

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November 17, 2010

Gary A. Kuiper
Counsel
Attn: Comments,
Room F-1072
Federal Deposit Insurance
Corporation
550 17th Street, NW.
Washington, DC 20429

RE:

Proposed Agency Information Collection Activities Comment Request
Federal Register / Vol 75, No 189 Thursday September 30, 2010
Consolidated Reports of Condition and Income (FFIEC 031 and 041)
Re: Proposed revisions to the Call Report requirements effective March 31, 2011

Dear Mr. Kuiper,

Thank you for the opportunity to submit our comments regarding the Memorandum Item for the estimated amount of non-brokered deposits obtained through the use of deposit listing service companies.

Community Financial Bank firmly believes that the agencies **should NOT** move forward with this addition to the Call Report, as it will place extra and undue burdens on the bank. Accurately identifying and reporting all deposits that are generated through the use of the Internet, deposit listing services and other automated services would be difficult, if not impossible, tasks to accomplish due to the reasons outlined below.

We like the ability to find all of our UBPR comparisons and all the required information needed to purchase outside bank CD's from those banks based on our criteria, without having to spend time on the phone with a broker and explaining we are looking for only certain high bank rating expectations for whom we purchase these bank CD's from. We are a very small community bank with a very small staff and the amount of new burdens being put upon us at the rate they are make it very hard for us to have the time to take care of the business of making money to start with. This is just another example of how we as smaller institutions are being forced out of business because we can not afford all the software or the staff to take all the time required to handle the business of banking and not the business of reporting.

We also like not having to negotiate a fee every time we look at a CD rate and net out the price.
Those agencies that offer to institutional investors focus on the safety we as a bank are looking for not just a commission for the finder. Please consider a distinction between what is non-brokered and some of the rest of volume sales people who pretend to be for institutions and are just actual listing agencies.

Not All Listing Service Deposits can be Easily Tracked and Controlled. In addition to their audiences, listing services are also distinguished by unique capabilities that enable banks to monitor and control the flow of deposits. Such differences vary greatly among listing service companies. Some companies provide no controls or monitoring capabilities to their customers; other listing service companies provide facilities that enable their issuing members to streamline the collection of information about their deposits. The QwickRate deposit listing service, for example, has always provided banks with tracking utilities and reports that will allow for the analysis of deposits being generated in the QwickRate marketplace. In QwickRate, banks can move freely in and out of the market to better manage their deposit activities. If listing services do not make information management capabilities available to CD issuers, the requirements imposed by the proposed Memorandum change will place undue burdens on the financial institutions receiving deposits through their services. The banks will have to accumulate and report on their levels of transaction activity across all types of listing services. This may be a difficult task to accomplish at best, and in some cases nearly impossible to do.

Many types of listing source and Internet deposit opportunities exist for financial institutions. For example, when a financial institution lists its rates on an uncontrolled "open" bulletin board such as BankRate.com, a primary source of *free CD rate information for consumers*, there is no guarantee that the institution will be able to track any deposits back to this listing. Most retail depositors will simply reference the information listed on the bulletin board and then contact the institution directly—without identifying a listing service advertisement as the source for their deposits. If the bank does not have a process in place to properly tie the depositor to the listing service advertisement. That affiliation and the resulting deposit would not be recognized as a non-brokered Internet deposit and would not be noted as such in the call report Memorandum. In most cases, this would default to a core deposit classification.

Further complicating matters is the fact that some public, open listing services, national publications and rate-advertising Websites will post a bank's rate without the bank's authorization. These sources routinely pick up the bank's rates from its own Website, without the institution's knowledge. Because the bank did not initiate the advertisements (and may not even be aware that they exist), the bank will not be able to quantify deposits coming from these other sources for the purpose of the call report. To properly implement the tracking of Internet deposits emanating from a deposit listing service or other online source, banks will be forced to incorporate additional policies and procedures to not only identify the customer (CIP) but also to track the Internet-based referring agent associated with the deposit. As a closed, member-only listing service, QwickRate eases administrative burdens for our financial institution subscribers with built-in tools that help them easily identify investors. Such is not the case with most or all other listing services; they have no facilities like these in place.

Additionally, the agencies apparently fail to consider the banks' efforts to generate national market deposits through their own consumer-facing Websites. Many banks post high rates on their Websites. Non-core deposits enabled by these means have the same potential for volatility and rate sensitivity as deposits generated by consumer-oriented listing services. Unless the agencies intend to include deposits generated via the bank's own Website, or to otherwise address the differentiation of these deposits, the agencies will not accomplish their intended goal of collecting accurate information about non-brokered Internet deposits through the proposed Memorandum item.

The FDIC and other agencies appear to assume that institutional and retail depositors will have the same characteristics regarding rate sensitivity and volatility. This assumption is incorrect. Retail depositors are clamoring for as much yield as possible, since many rely on the interest earned on their CDs as part of their monthly income. For this reason, many bankers often consider retail deposits to be highly rate sensitive and volatile, both when purchased locally in the community and through a listing service.

We appreciate the agencies' consideration of our **strong objections** to the proposed revisions of the Call Report requirements. With all due respect, we request that the agencies seriously consider the hardship that this proposal will place on community banks. We would also encourage the agencies to weigh that burden against the questionable likelihood that such a change will result in a fair and accurate evaluation of all deposits to be included in the new Memorandum Item.

Sincerely,

T. Hegeholz

Thomas Hegeholz
CEO/President

TLH/tlh