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Member FDIC

Equal Housing Lender

November 5, 2008

Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking,  
RIN 3064-AD35

Dear Mr. Feldman:

I appreciate the opportunity to comment on the FDIC's proposal to raise premiums in order to recapitalize the insurance fund and to change the risk-based premiums classification system. I am the President & CEO of Founders Bank & Trust, which has \$361 million in assets and four branches in Grand Rapids, Michigan. We know that a strong FDIC insurance fund is important to maintaining depositor confidence and I support changes to the premium calculation that truly reflect the risk of loss to the FDIC. However, as a healthy bank that had nothing to do with the current problems, I believe that the aggressive recapitalization proposed would be counterproductive and would limit my bank's ability to meet our worthy local credit needs. In addition, I believe that the proposal should remove the Certificate of Deposit Account Registry Service (CDARS) from inclusion in the brokered deposits ratio as these deposits allow my bank to retain customers and keep funding local, at lower costs.

As you know, the proposal would significantly raise premiums assessments to aggressively recapitalize the insurance fund in five years to over 1.25 percent of insured deposits. Yet the Federal Deposit Insurance Reform Act requires the FDIC to rebuild the fund to 1.15 percent in five years and to take longer when there are "extraordinary circumstances." There is no question that these are extraordinary circumstances and excessively high premiums only reduces the resources that I have available to lend in my community. It is also counter to other efforts by Congress and the Treasury to stimulate lending. Premium rates should be substantially less than what is proposed.

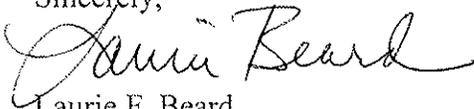
In regards to the Certificate of Deposit Account Registry Service (CDARS), I strongly believe these deposits do function as "core deposits" and should be treated as such, not as brokered deposits. These deposits allow our Bank to

retain customers and keep funding local. CDARS CDs have a very high reinvestment rate, are overwhelmingly placed by local customers, allow our Bank to set our own rates that reflect our funding needs in our local market, and allow us to better serve our loyal customers who value their established banking relationship. While I am very aware that a few recently failed or troubled banks have used brokered deposits to grow rapidly and fund risky assets, it is unfair to include CDARS deposits in with all other forms of brokered deposits, and thereby consider them “risky”. CDARS is a classic case of banks working together to provide better service to their customers. It should not be subject to any potential penalty.

Furthermore, I believe that the proposal is particularly punitive to banks that use Federal Home Loan Bank advances. FHLB advances are a stable source of funding for many banks that is often at lower cost than local deposits. That is definitely true in our local Grand Rapids market, where competition for core deposits is fierce, and low costing deposits are in fact shrinking in supply, mostly due to our weak economy. In addition, FHLB advances can be used to match-fund longer term loans, mitigating interest rate risk. This type of funding is not available to us elsewhere.

I feel strongly that the FDIC should not inhibit good, stable sources of funding. Rather, the focus should be on the risk of the assets that the bank has funded, regardless of the source of funds and any concerns should be raised as part of the examination process – which is included in the premium calculation. It seems extremely unfair to penalize banks that use these stable sources of funding.

Sincerely,



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cc: Sen. Debbie A. Stabenow

Sen. Carl Levin

Rep. Vernon J. Ehlers

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