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LUIS V GUTIERREZ  
MEMBER OF CONGRESS  
4TH DISTRICT ILLINOIS  
2208 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20518  
(202) 225-4200

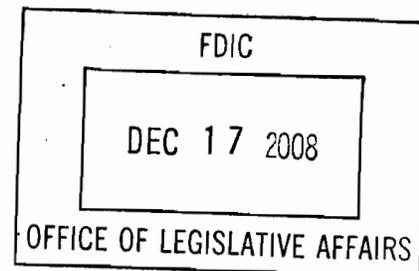
DISTRICT OFFICES:  
3466 WEST NORTH AVENUE  
CHICAGO, IL 60647  
(773) 364-1655

Congress of the United States  
House of Representatives  
Washington, DC 20515-1304

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December 17, 2008

The Honorable Sheila C. Bair  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429



Re: FDIC Notice of Proposed Rulemaking RIN 3064-AD35

Dear Chairman Bair:

I am writing to express my concerns about an FDIC proposal to impose a higher insurance assessment on deposits currently included in the definition of "brokered deposits." As currently written, the proposal has the potential to undermine the efforts of community development banks to improve the quality of life for people in credit-starved neighborhoods throughout the country.

One type of deposit being currently defined as a "brokered deposit" is a deposit received through a network of banks on a reciprocal basis. This type of reciprocal deposit has proven to be essential in providing funds needed by community development banks to make loans in underserved communities. In no functional way is this type of reciprocal deposit similar to brokered deposits, which can be described as volatile "hot money" chasing the highest interest rates in a national market.

As written, the FDIC's proposal could make it significantly more difficult for community development banks to attract needed funding. It is my understanding that the Community Development Bankers Association (CDBA) has already conveyed its concerns to the FDIC. Three of the association's 25 members are banks in Illinois, including ShoreBank in Chicago, the country's oldest and largest community development bank. ShoreBank has also written the FDIC individually to express its specific concerns.

The Promontory Interfinancial Network provides reciprocal deposit placement through the Certificate of Deposit Account Registry Service, (CDARS). The Network has 2,725 member banks across the nation. Almost all of its members are community banks, and nearly all the members of the CDBA are members of the Promontory Network as well.

The CDBA letter noted that community development banks "make a difference – perhaps the difference – in the lives of tens of thousands of people in the communities we serve. Our

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members are often the only source of credit and financial services in these communities. We make loans to build and renovate housing so that people have a decent place to live. Our housing lending, in turn, sparks revitalization of other housing in our neighborhoods. We make loans to small businesses so that people will have jobs."

The CDBA letter also explained that, to fund themselves, community development banks must frequently raise deposits from civic-minded and socially-motivated individuals and institutions and that these investors invest much larger deposits when they are assured the deposits are secured. The CDBA stressed the following: "CDARS provides that assurance...Without CDARS as a magnet for attracting socially motivated investors, we will not be able to originate loans at a scale sufficient to have a positive social impact."

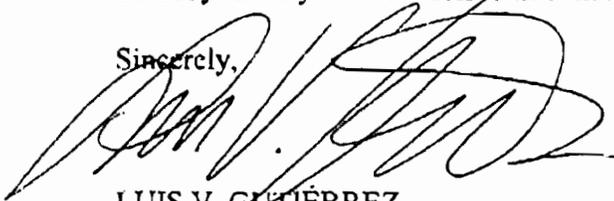
ShoreBank wrote of its experience: "Defining CDARS Reciprocal deposits as brokered deposits is illogical. Traditional brokered deposits, in contrast to our CDARS Reciprocal funds, originate from third parties whose customers are seeking to place funds at the highest rates available. Brokered deposits are a national market and banks must "pay up" to play. In contrast, no one is standing between us and our customers that choose to use CDARS. In addition, our CDARS deposits are priced at or below market rates of interest...Since CDARS deposits act like core deposits, they should be treated as core deposits, not brokered deposits."

In asking whether a deposit received through a network of banks on a reciprocal basis should be excluded from the definition of "brokered deposit" for the purposes of the proposed rule, the proposal pointed out that call reports do not distinguish between CDARS Reciprocal deposits and brokered deposits. To that point, ShoreBank noted: "It would be a simple matter for our bank to separately report its CDARS holdings if this would facilitate an exemption of CDARS Reciprocal deposits from the brokered deposit definition."

I strongly urge you to exempt CDARS Reciprocal deposits from the definition of "brokered deposits" in this rule. If the FDIC is able to exclude CDARS Reciprocal deposits from the definition of brokered deposits, CDARS can continue to play its significant role in providing credit to neighborhoods that are starved for it, across the country and in my district, and community development banks could continue to serve as engines of economic inclusion.

Thank you for your attention to this matter.

Sincerely,



LUIS V. GUTIÉRREZ  
Chairman  
Financial Services Subcommittee on  
Domestic and International Monetary Policy,  
Trade and Technology