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COMPTROLLER
OF THE CURRENCY

December 22, 2008

Mr. John C. Dugan
Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

RE: Brokered Deposit exclusion for Reciprocal CDARSSM

Dear Mr. Dugan,

I write you today as we approach year-end with the FDIC proposal for brokered deposits still unresolved as to what deposit types must be categorized as brokered deposits. As a community development bank we serve the low income communities of San Diego County; communities which by definition do not have much disposable income, let alone much wealth, with which to make bank deposits. Yet, the demand for loans on a per capita basis is relatively the same as in any other community. We have been able to fill that funding gap by finding supportive depositors who, through use of the Reciprocal CDARS product, have been willing to put large deposits with our bank that can be used to create jobs, services and shelter by lending to small businesses as well as to the developer/rehabbers of inner-city commercial real estate, and affordable housing.

We are currently required to categorize these deposits as "Brokered" on the UBPR Call Report, and must further suffer all the negative ramifications that the categorization brings with it. Those ramifications will soon include additional premiums. This categorization requirement is based on inaccurate assumptions and a misinterpretation of how our bank uses this product. Our use of the Reciprocal CDARS product does not fit your agencies definition of a "brokered deposit" because:

We do not use a broker. Our deposits are negotiated on a principal to principal basis. Whether the deposit comes from an individual, corporation, or municipality we communicate directly with the decision-maker.

We only take deposits from our market area. In fact, when California State law changed to allow municipalities and agencies to make uncollateralized deposits with banks using this product, we were approached by a number of out of area municipalities who heard we were using this product in San Diego. Our answer was always that we only offer this product within our market area.

We have a very high reinvestment rate. Our CDARS deposit customers are currently re-depositing at a rate of 84%.



We make every attempt to cross-sell the CDARS customer to other bank products. We are currently working with three separate customers (SD Airport Authority, SDG&E, and California Endowment) to be able to offer credit products compatible with our mutually-shared community missions. We are also providing regular reporting to several customers that share our mutual community development missions, and thereby provide them with the political support to continue the relationship with us indefinitely.

We pay interest within the rates set by the local market . We usually pay our published rate (typically set in the upper one-third of area banks, but just over the area average), and will sometimes go 25 basis points over that if the needs of our loan pipeline justifies it.

We are very aware of the concentration risk associated with any product that becomes successful. While we have a very high utilization of this product, it is important to understand that three distinct market components contribute to our totals. We take Reciprocal CDARS deposits from individuals, corporations (including nonprofits and foundations), and municipalities and their agencies. While most of them share a common dedication to community mission with us, each group is discrete in their needs and motivations.

Aside from the premium increase, my greater concern is that it could be misinterpreted by an uninformed person that our growth is fueled by the availability of the deposits. Nothing could be further from reality. Our growth comes organically from the underserved communities we are involved with. These reciprocal CDARS deposits, gathered from supportive people and organizations, help us achieve our community development mission on a cost effective basis.

I ask that you strongly consider advocating for the exclusion of this important funding source from the regulatory definition of brokered deposit when you are involved in the final decision about this matter. Thereby allowing the community development banks of the country to continue to work in support of the residents of our low income communities.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. McGill", written in a cursive style.

Robert M. McGill
Chairman and CEO