

Quarterly Outlook



What to Invest In Now: Considering FDIC Insured CD's

In the search for safe investments, financial institutions sometimes overlook the obvious: Invest in a portfolio of FDIC-insured CDs issued by other national and community banks around the country. With new FDIC insurance limits in place today, CD investments have become even more desirable and popular.

Purchasing a brokered CD through Finance 500 is easy and fast. Your institution can open an account by completing two simple documents, and then a Finance 500 registered representative will help you select from a list of all the banks offering CDs at that time. Choose the banking institution, interest rate, terms and structure that suit your needs and objectives, and you're done.

Don't overlook the obvious; call your Finance500 representative today and ask about current offerings on FDIC insured CD's.

Finance 500 Wants to Help You Help Your Community



Finance 500 is donating \$500 to the community charity of your choice. When you open an investment account and purchase an FDIC insured brokered

CD for \$250,000 or more, your bank is automatically entered into a drawing for a \$500 donation to the charity of your choice. We will be drawing the name live at the 2011 ICBA Convention. It is our way to say thank you to the communities and the banks who partner with us.

Call us today for the latest market rates.

Dodd-Frank Wall Street Reform Act to Redefine Deposits; Good or Bad for Banks?

Section 1506 of the Dodd-Frank Bill pertains to brokered deposits and ultimately may affect all institutions. This section directs the FDIC to conduct a study to evaluate (i) the definition of "core deposits" for purposes of calculating deposit insurance premiums; (ii) the potential impact on the DIF of revising the definitions of "core deposits" and "brokered deposits"; (iii) the differences between core deposits and brokered deposits and their role in the economy and the banking sector; (iv) the potential stimulative effect on local economies of redefining core deposits; and (v) the competitive parity between large banks and community banks that could result from a redefinition. The study, which is to include legislative recommendations [if any], is due no later than one year after the date of enactment.

Could this Present an Opportunity for Banks to Raise Deposits?

There is hope among the brokerage industry that the study will cause a bit of a loosening among the regulators regarding the acceptance of brokered deposits. Traditionally a brokered deposit is not considered a "Core Deposit" because it is placed in the bank through a custodian. However, DTC brokered deposits are considered "Retail Deposits" and studies have shown that the average buyer of a brokered CD is an individual purchasing approximately \$30,000 - \$50,000 per CD. Add the fact that brokered deposits are not eligible for early withdrawal, (accept for death or adjudication of incompetence) it could be stated that brokered deposits are more stable than "Core Deposits" during the deposit period. It is also speculated that possibly the internet listing services could be redefined as a brokered deposit in some fashion, since they are not a typical "Core Deposit". How this report unfolds and what the findings and actions will be remains to be seen. Finance 500 will continue to keep you updated with any new information regarding brokered deposits.

Historically Low Rates + Raising Deposits = Happy Bank Presidents



FDIC Permanently Raises Maximum on Deposit Insurance to \$250,000

On July 21st 2010 the FDIC announced that President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act. In part, this will permanently raise the current standard maximum deposit insurance amount to \$250,000 per depositor. What does this mean for your bank in regards to issuing Brokered Deposits? Recently many investors have had to pay special attention to the term of the CD they are buying so as to stay within the temporary FDIC insurance increase that raised the insurance level to \$250,000 through December 31, 2010. This caused many buyers to purchase CDs

in the 2-3 year term, thus assisting Finance 500 in raising capital for banking institutions in this maturity range. Now that the FDIC insurance coverage has been made permanent, this may cause many retail and institutional buyers to purchase longer term CDs, thus making it easier for us to raise your bank money on a longer term basis.

Interest rates are still historically low, but will they stay this low forever? When will they begin to rise and how long will the Federal Reserve hold back from raising interest rates? We do not know for sure, however several analysts believe sometime in the next year, interest rates may begin to rise. For now it may make sense to begin to take in some longer term stable deposits while rates are low and while the new permanent FDIC coverage is fresh in the minds of the investors. Locking in 5-10 year deposits could prove to secure inexpensive funding for the banks future asset purchases. The longer term CDs can also have a callable feature attached to them, giving you the option of ending the certificate early and returning the monies to the investors. We also assist in structuring longer term "Step-up" CDs which allow the bank to start at a very low initial interest rate and gradually step up during the life of the certificate. These "Step-up" CDs can also have a call feature attached to them, with very little increase to your all-in cost on the deposit.

If you have been contemplating taking in a brokered deposit, please call one of our underwriters for a rate sheet and to discuss a term and structure suitable for your deposit needs.

