

ESTABLISHED 1903

THE FIRST NATIONAL BANK

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September 7, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N. W.
Washington, D.C. 29429

Attention: Comments

Re: Deposit Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I write with regard to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request comment on deposit insurance assessments. Specifically, I write to address the FDIC's request for comment on whether Federal Home Loan Bank (FHLBank) advances should be included in the definition of volatile liabilities or, alternatively, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities. We believe that enacting this rule would be harmful to FHLBanks, their member institutions and affordability and access to housing.

FHLBanks and their members are the largest source of residential mortgage credit in America. It is this credit that has created record homeownership rates and allows homeowners to use the equity in their homes for improvements, retirement and even college tuition.

By penalizing the use FHLBank advances, institutions will be forced to either seek less attractive, potentially more expensive funding or curtail their lending. In either case, consumers and especially those on the lower end of the economic scale will be hurt by higher costs and a tighter credit market.

The profits generated by FHLBanks, primarily through their advance products, contribute, to the largest low-income housing grant program in the nation. Every year, FHLBanks contribute ten percent of their profits to affordable housing grants. Homeless shelters, first-time homebuyer projects and housing for substance abuse recovery are just three examples of projects that have benefited from FHLBank's Affordable Housing Program.

Since 1990, the AHP has provided over \$2.3 billion for these activities. An unwarranted reduction in the FHLBank advances would result in fewer dollars for these projects.

FHLBank advances are not a volatile liability for members. They come with set, predictable terms allowing efficient balance sheet management. Unlike deposits, advances do not diminish when market forces or consumer habits change.

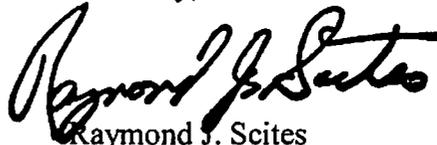
FHLBanks themselves are a core part of the American banking system. As created by Congress in 1932, they have been the standard for stability, surviving swings of markets, interest rates and business cycles. Their cooperative structure, joint and several liability and conservative business models ensure the future availability of advance products for their over 8,000 members.

When Congress created FHLBank System its goal was a steady stream of mortgage credit through advances. Congress reiterated its support of advances by expanding access to this funding in the Gramm-Leach-Bliley Act. This proposal, which seeks to penalize the judicious use of advances runs contrary to the actions and intent of Congress.

Through advances from FHLBank our bank has been able to fund the construction of middle-income housing projects and two municipal buildings housing the local West Virginia State Police office and the local West Virginia Division of Transportation office. Neither project would have been possible without the non-volatile long-term FHLBank financing.

I appreciate the opportunity to comment on this important matter.

Sincerely,



Raymond J. Scites
President & CEO

RJS:mkw