



WOODLANDS BANK

We're Easy to Do Business With

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Re: RIN Number 3064-AD09
Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am writing concerning the FDIC's proposal to classify FHLB advances as "volatile liabilities". As a small community bank, our access to FHLB borrowings enables us to have less volatility in our funding of loans in our community for housing, small businesses, and personal financial needs. In an era where potential bank depositors have so many other options for investing their resources, FHLB borrowings are one important tool that we have to fulfill our mission to provide credit in our community for individuals and businesses. Our real world experience has been that those borrowings are controllable by us as to term, rate, and other features which creates an enhancement to our balance sheet management thereby reducing our interest rate and liquidity risks, not increasing them.

In the past we have participated in special affordable housing loan projects which we would not have likely been able to do without the FHLB backing. We can attest that the FHLB of Pittsburgh seriously promotes its mission of assuring the availability of home mortgage financing.

The effect of your proposed ruling will be to make banks pursue other sources of funding resulting in at least two negative effects. As a small bank, the resources we can devote to evaluating and monitoring other private sources of funds is limited, and we are concerned that we may not identify all of the risks. Secondly, the FHLB programs for affordable housing which direct resources to areas which need them the most will probably have their budgets reduced.

The FDIC and other banking regulatory agencies have the ability through your examinations to evaluate whether a bank is using FHLB advances in a way which inappropriately increases their risks. It would surprise me if a majority of banks would be found to be guilty of this. On balance, our evaluation is that this proposed rule would create more problems than it would solve, and that there are better ways for regulatory agencies to address what you perceive to be risks brought about by FHLB advances.

Thank you for allowing me to register these comments with you.

Sincerely,


Russell G. Kimura
V.P. and Controller