



September 11, 2006

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

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank
Advances

Dear Mr. Feldman:

The West Virginia Housing Development Fund ("WVHDF") appreciates the opportunity to respond to the Federal Deposit Insurance Corporation ("FDIC") notice of proposed rulemaking and request for comment on deposit insurance assessments. The WVHDF would like to comment on whether Federal Home Loan Bank ("FHLB") advances should be included in the definition of volatile liabilities, which would result in higher deposit insurance rates to member institutions with significant amounts of secured liabilities. The WVHDF believes that enacting this rule would be harmful to FHLB, their member institutions, and more importantly would adversely impact the affordability of and access to housing.

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

The profits generated by the FHLB, primarily through their advance products, contribute to the largest low-income housing grant program in the nation. Every year, the FHLB contributes 10% of profits to affordable housing grants through the Affordable Housing Program ("AHP"). Since 1990 the AHP has provided over \$2.3 billion for activities such as homeless shelters, first-time homebuyer projects,

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housing for substance abuse recovery, and low-income residential rental housing properties.

The WVHDF believes that the FHLB's AHP is an extremely important resource for those serving the affordable housing industry in West Virginia. The WVHDF encourages the use of FHLB AHP funds in conjunction with requests for tax credits through the Low-Income Housing Tax Credit Program ("LIHTCP"). As you may be aware, the LIHTCP is a federal incentive program to encourage private equity investments, rather than 100% federal government financing, for the production of affordable low-income residential rental housing.

In summary:

- Classifying FHLB advances as volatile liabilities will result in higher deposit insurance rates to member institutions utilizing this funding.
- The higher deposit insurance rates to member institutions will discourage advance use, which will reduce FHLB profits.
- The reduction in FHLB profits may result in less AHP funding for low-income residential rental property development.
- The loss of AHP funding can result in the loss of low-income residential rental properties, which are only feasible when developed with the aid of AHP grants.

The WVHDF respectfully requests that the FDIC consider our comments and not reclassify the FHLB advances as volatile liabilities. Thank you for the opportunity to comment on this proposed reclassification.

Very truly yours,
WEST VIRGINIA HOUSING DEVELOPMENT FUND



Joe W. Hatfield
Executive Director

JWH:mlw