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From: Rohal, John D [mailto:rohaljohd@bethlehem-pa.gov]
Sent: Friday, September 01, 2006 3:13 PM
To: Comments
Subject: Deposit Insurance Assessments and Federal Home Loan Bank Advances RIN 3064-AD09

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth St NW
Washington DC 20429

Dear Mr. Feldman:

I am writing to express my concerns with a recent Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking that would define Federal Home Loan Bank (FHLB) advances as volatile liabilities or as an alternative whether to charge higher assessment rates to institutions that have significant amounts of secured liabilities.

I work for a public agency that is highly concerned with the availability of affordable housing in a region of Pennsylvania in which housing costs are rapidly rising far faster than wages. FHLBs and their members are the largest source of residential mortgage credit in the United States. Availability of this credit has allowed for higher rates of homeownership and the procurement of ownership equity for millions of American citizens. If FHLB advances are penalized, financial institutions will be forced to seek other more expensive and less attractive sources of capital or even worse to limit some of their lending. Such actions would ultimately hurt housing consumers of low and moderate income.

I understand FDICs role in risk analysis however I have to question the proposed classification of these advances as "volatile". It is my understanding that advances have pre-defined and predictable terms that do not evaporate due to circumstances beyond the control of the member banks. I further understand that the FHLB banks themselves have a demonstrated record of stability and use the advances as a source of funding that is reliable, predictable and beneficial to the planned operations of the member banks. None of that suggests volatility to me.

Finally I would note that the advances are a primary source of income to the FHLBs. The FHLBs in turn contribute ten percent of their profits to affordable housing grants that further help people of low and moderate income. When my organization sees a need to support specific affordable housing development in our city, the FHLB programs are usually one of the main sources that we suggest being used to make the development affordable.

In conclusion I would ask that the FDIC re-examine this matter. I believe that penalizing member banks for using FHLB advances would only serve to limit their use of an available liquidity source, make them less competitive, and ultimately limit the availability of credit in a way that will hurt the most economically vulnerable people in our communities. I can see no risk or volatility in the current advance process that justifies the proposed FDIC position.

Thank you for your consideration in this matter.

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