

From: William Bromley [mailto:william.bromley@eaglenational.org]
Sent: Wednesday, September 20, 2006 11:50 AM
To: Comments
Subject: RE: 3064-AD09
Importance: High

Gentlemen and Ladies:

RE: 3064-AD09

FHLBank advances should not be a factor in assessing FDIC premiums for the following reasons:

- Advances are not volatile liabilities for FHLBank members. They have pre-defined, predictable terms and, unlike deposits, do not evaporate due to circumstances beyond the control of the FHLBank member, such as special, short-term promotions in particular markets or the existence of higher returns to depositors on alternative assets.
- Deposit insurance premiums should be based, as they currently are, on an institution's actual risk profile, reflected in supervisory ratings. Institutions engaged in excessively risky activities should pay higher premiums, regardless of whether those activities are financed by insured deposits, FHLBank advances, or alternative wholesale funding sources.
- Penalizing FHLBank members for using advances would: (1) limit their use of a valuable liquidity source; (2) make them less competitive; and (3) limit the availability of credit in the communities they serve – all for no justifiable reason.

I have almost never commented on any of these types of issues, however, this proposal is exceptionally severe at a time when all banks are facing increased margin pressures and expensive funding sources. Thank you for your time and attention.

Sincerely,

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