



August 23, 2006

Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 29429

Attention: Mr. Robert E. Feldman, Executive Secretary
Comments

Dear Mr. Feldman:

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

I write with regard to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for 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. I appreciate the opportunity to comment on this important matter.

Advances are not volatile liabilities for FHLBank members. FHLBank advances have pre-defined, understood, and predictable terms. Unlike deposits, advances do not evaporate due to circumstances outside of the control of an FHLBank member.

It would be illogical to include FHLBank advances in the definition of volatile liabilities given the stability of the FHLBanks, the reliable availability of advances as a source of wholesale funding, and the beneficial and predictable effect of such funding on members' business plans.

Deposit insurance premiums should be based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. Banks that are engaged in excessively risky activities should pay a higher premium, regardless of whether those activities are financed by insured deposits, FHLBank advances, or alternative wholesale funding sources. The professional and capable FDIC examination staff is better suited to determining a bank's risk profile than an inflexible formula imposed on all insured institutions, regardless of circumstance.

I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Sincerely,

A handwritten signature in black ink that reads "John P. McGrath".

John P. McGrath
Senior Vice President & Treasurer

You're worth more here.