



September 20, 2006

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

**Comments--Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances**

Dear Mr. Feldman:

Thank you for the opportunity to comment on the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, I want to address whether Federal Home Loan Bank (FHLBank) advances should be included in the definition of “volatile liabilities”, which would require higher assessment rates to be charged to institutions that have significant amounts of secured liabilities. I believe that enacting this rule would be harmful to affordable housing in the Commonwealth of Pennsylvania.

For many years, the Federal Home Loan Bank of Pittsburgh has been an active participant and welcome partner in Pennsylvania Housing Finance Agency’s efforts to improve the availability of affordable housing. The Bank’s mission, along with its earmarked commitment of funds, places it in a unique position to work within a community. I would respectfully request that this record of accomplishment and fiscal responsibility be considered when evaluating the consequences of the proposed rule.

Every year, FHLBanks contribute ten percent of their profits to affordable housing grants. The profits, generated primarily through their advance products, contribute to many housing initiatives in the Commonwealth. Homeless shelters, first-time homebuyer programs and housing for substance abuse recovery are just three examples of projects that have benefited from the FHLBank’s Affordable Housing Program. Nationwide, over \$2.3 billion has been provided for these types of activities. The proposal could reduce the use of FHLBank advances by member banks and consequently lower earnings. This would result in fewer dollars for these programs.

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FHLBanks and their members are the largest source of residential mortgage credit in America. It is this credit that has helped create record homeownership rates and allows homeowners to use the equity in their homes for improvements, retirement and even college tuition.

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

These advances are not volatile liabilities for FHLBank members. They have pre-defined, predictable terms and unlike deposits, advances do not diminish when market forces or consumer habits change.

FHLBanks themselves are a core part of the American banking system. As created by Congress in 1932, they have been the standard for stability, surviving market swings, interest rate volatility and uncertain business cycles. Their cooperative structure, joint and several liability and conservative business models ensure the future availability of advance products for their over 8,000 members.

When Congress created the FHLBank System its goal was a steady stream of mortgage credit through advances. Congress reiterated its support of advances by expanding access to such funding in the Gramm-Leach-Bliley Act. This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

The Pittsburgh FHLBank has prudently used its resources to help create housing opportunities in Pennsylvania. It is a great partner for PHFA as we work to improve the lives of our 12,000,000 citizens. In that regard, your consideration of the above comments is greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Brian A. Hudson". The signature is written in a cursive, flowing style.

Brian A. Hudson, Sr.  
Executive Director & CEO