

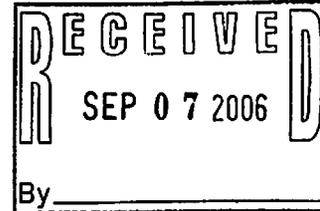


# The Bath State Bank

"The Bank by the Side of the Road that is Always a Friend."

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Robert E. Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17 Street, N. W.  
Washington, DC 20429



Re: 12 CFR Part 327, RIN, Assessments

Dear Mr. Feldman,

I have reviewed the proposed rulemaking regarding assessments and have an over-all favorable response with one distinct exception. Obviously, a significant effort was made to develop a system that statistically measures the true risk to the fund. Should this be enacted, I believe that both the statistics and the individual elements of the rule should be reviewed periodically. As the business environment changes, statistical data should provide continued support of measurements that are truly predictive under the current economic environment of failure risk.

I strongly disagree with the use of volatile liabilities as a risk measurement. True volatility is a function of a number of factors including both objective and subjective judgments. I do not believe a threshold of \$100,000 is an accurate definition of a liability with volatility. Beyond this not being accurate, I have concerns over how this rule would become an enticement for individual banks to structure deposits so that large deposit relationships no longer fit within this definition.

Using volatile liabilities as a measurement creates an inefficient market, where deposits are not priced by the true economic benefit for the use of those funds, but rather as a function of its structure and the corresponding cost of insuring that deposit. The inclusion of Federal Home Loan Bank advances in the definition of volatile liabilities, likewise gives me the same concern and for the same reasons.

I encourage the exclusion of volatile liabilities and the exclusion of FHLB advances as risk measurements.

Sincerely,

  
Dennis L. Brack, President