



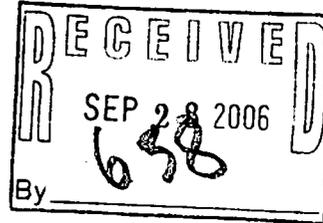
PHONE  
(308) 745-1500

# SHERMAN COUNTY BANK

FAX  
(308) 745-1655

9-21-2006

Robert E. Feldman  
Executive Secretary  
Attention: comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> St. NW  
Washington, D.C. 29429



Re; RIN 3064-AD09...Proposal to amend Risk-based premiums

Dear Mr. Feldman:

I wish to make a comment relative to certain items in your proposal on risk-based premiums.

First of all, FHLB (Bank) advances are very important to the operation of this bank. We use several of the Bank's programs which enable us to provide a service to our customer which we wouldn't be able to do without the advances.

Two of the advance programs we use deal with long-term housing loans in our community (MPF program) and long-term real estate loans to farmers (CDP program). Each of these programs makes term funding available to us in a fashion which allows us to compete with tax-free financial institutions and the Farm Credit banks. We are able to make a decent margin on these advances, thus improving earnings, and are able to keep the larger share of wallet of the customer. As you know, these are generally stable, low risk assets which are a compliment to our Ag loan portfolio.

Our experience with the deposit gathering function of the bank is that a larger percentage of the customer base is willing to chase rates. If we are forced to price up to retain these deposits, our margins will suffer additional deterioration. With the Bank, we are able to access a stable source of dependable funding that we can depend on. Also, our customers are currently not willing to allow us to issue any 3+ year time certificates, creating a worsening mismatch for our ALM process. With Bank advances, we can offer the term notes the customer wants and fund them with term advances and avoid the mismatch.

In conclusion, I believe the use of FHLB advances by our institution has made us a safer bank relative to the insurance fund. Increasing the cost of these funds by raising the assessment could render the deal non-profitable and cause us to curtail these types of lending which are well received in our community. I feel that such actions will cause us

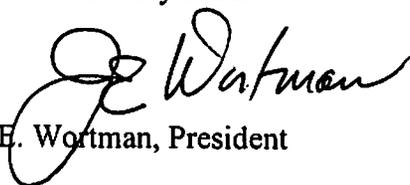
further problems in a highly competitive situation. I do not feel that that would be a wise decision on the FDIC's part.

We ask that you will be cognizant of the harm you can do to our bank and our community by pricing advances out of use.

As you are aware, small banks represent a very small risk to the insurance fund, but they are a very large part of rural communities. I would think you would be much better off — increasing the efficiency and quality of large bank examinations as that is where your risk really lies.

Sincerely,

Sherman County Bank

A handwritten signature in cursive script that reads "G. E. Wortman". The signature is written in black ink and is positioned above the typed name.

G. E. Wortman, President