From: Jim Voight [mailto:jvoight@hometownbancorp.com]
Sent: Thursday, November 13, 2008 5:36 PM
To: Comments
Subject: FW: Assessments - RIN-3064-AD35
Importance: High

November 13, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington DC 20429

Re: FDIC notice of proposed rulemaking RIN 3064-AD35

Dear Mr. Feldman:

I am the CEO of Hometown Bank, an approximately $200 million bank in Fond du Lac, Wisconsin. I have watched with interest the commentary on the referenced proposal. I could reiterate many of the comments already provided however I would rather just reference them and make a few additional points.

The FDIC, OCC, Federal Reserve, and other regulators have asked banks, whether of State or Federal charter, to manage their risk. In this current economic environment, you are penalizing financial institutions with this proposed rule and assessment strategy for managing their funding risk. Since we are now in a global economy, the days of finding low cost deposits within close proximity of our branch facilities are long gone. If we are forced to focus on only local markets for funding, the availability and cost of funds will be determined by the constraints of the local economy. The amount of loan activity and availability of deposits are very seldom equal in any single geographic area.

Even if funding and loan demand are in balance, prudent managers of risk, diversify their funding sources just as they diversify away from loan concentrations. For any bank, a balanced funding strategy should include local deposits, CDARS, brokered funds, FHLB advances, off balance sheet loan participation and sale networks, repurchase agreement programs, wholesale funding and other non-traditional funding sources. Diversification will lead to better funding risk mitigation as well as better pricing because excessive deposit demand will not be placed on a small geographic area.

By virtue of your proposal, the prudent bank is penalized for pursuing cost effective (cheaper and on better terms than local markets) funding sources and is encouraged to put “most of their eggs” in one basket (local markets). Further you penalize banks that are reinvesting and growing in their markets at more than 20% if local cost effective funding is not available. A more pragmatic approach would be to evaluate the bank’s ongoing capital and loan quality rather than to monitor where they get their inventory (deposits) to support that growth.

Please consider allowing banks to implement a prudent diversified funding strategy by allowing CDARS, brokered deposits, and other types of funding to be capped at a much higher levels (35-40%) and not be penalized for investing in the communities in which they are located. We currently pay premiums on all of our deposits regardless of whether the insurance is benefiting the depositors. Increase your premiums slightly across the board and require all users of government insurance/guarantees (credit unions for example) to not only pay their fair share of the premiums but also comply with the same regulations and credit criteria as the banks.

Sincerely,

/s/ James P. Voight

James P. Voight
Chairman & CEO
Hometown Bank
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