

National Association of Towns and Townships
National Community Development Association
National League of Cities

December 16, 2008

BY FEDERAL EXPRESS AND E-MAIL

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429
Attention: Comments – RIN No. 3064-AD35

RE: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking and Request for Comment - Deposit Insurance Assessments; RIN No. 3064-AD35

To Whom It May Concern:

On October 17, the Federal Deposit Insurance Corporation (“FDIC”) issued a notice of proposed rulemaking (“Rule”) concerning deposit insurance assessment premiums. This letter sets forth the comments of the organizations listed above, representing local governments, with respect to the Rule. We appreciate the opportunity to address this important issue.

Deposit insurance provides a significant guarantee critical to our financial system and we commend the FDIC for taking the necessary steps to ensure its availability during this time of financial uncertainty. It is also important that the impact of such efforts not increase the strain on local financial institutions and the communities they serve. Unfortunately, the inclusion of Federal Home Loan Bank (“FHLBank”) advances within the new risk-based insurance assessment will have such and impact.

For seventy-six years, local community financial institutions and the communities they serve have benefited from FHLBank advances. They serve as a critical and cost-effective source of liquidity for housing and community development projects, sustain prudent financial management practices and enable small community banks to remain competitive. Penalizing and thereby discouraging the use of FHLBank advances will have the effect of further restricting an already slow flow of credit to communities, further weakening our economy.

A reduction in the use of FHLBank advances will also affect the profitability of the FHLBanks and reduce their annual contribution to their Affordable Housing Fund

("AHP"). By law, the FHLBanks contribute ten percent of their net income to the AHP.

The AHP is the largest private source of grant funds for affordable housing in the country. In the first six months of 2008, approximately \$176 million was made available for affordable housing projects nationally including homeless shelters, special needs housing, and senior housing. This is an increase of 24.8 percent over the same period of time last year. Since the program's inception in 1989, over \$3 billion in AHP funds have been committed to help finance 600,000 housing units.

Additionally each FHLBank supports local community development activities through their Community Investment Programs ("CIP"). This funding, provided directly through lower-cost CIP advances, finances a variety of infrastructure, small business and community and economic development activities. Total CIP lending is approaching \$50 billion, financing 650,000 housing units and thousands of important local projects.

The FDIC has the statutory authority, under "extraordinary circumstances," to extend the DIF restoration period beyond the normal five years. Considering that the FDIC has already cited its statutory authority to prevent systemic risk in its earlier actions, and the Federal Reserve and Treasury have taken steps reserved for extraordinary circumstances, it is only fitting that the FDIC use this opportunity to extend the period for DIF restoration beyond the Rule's five year target and reduce the need to overburden an already strained financial system and unnecessarily target FHLBank advances.

In light of these factors, the FDIC should suspend implementation of the new risk-based premiums and amend the current proposal to extend the DIF restoration period.

Thank you for consideration of our views.

Sincerely,

Donald J. Borut
Executive Director
National league of Cities

Cardell Cooper
Executive Director
National Community Development Association

Keith Hite
President
National Association of Towns and Townships