

June 12, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550-17th Street, N.W.
Washington, D.C. 20429

RE: Covered Bonds - Request for Comments

I write regarding the Federal Deposit Insurance Corporation (FDIC) solicitation of comments on the treatment of secured liabilities for assessment purposes.

There is a concern that Federal Home Loan Bank (FHLB) advances, while not specifically mentioned, would be included in the "secured liabilities" assessment base. If these types of advances are to be included I would be remiss by not stating my complete disagreement to this policy.

We, like so many community banks, rely on the FHLB advances to meet the liquidity needs of today's housing market. By having these advances penalized or instituting an arbitrary cap on usage, an undue burden is placed on us at a time when the housing market needs all the help it can get. We have come to rely on the availability of these funds to manage interest rate risk and fund loan growth at those times when our own source of deposit funds have proven to be inadequate. Creating a policy that discourages use of FHLB advances places us and many like us in a position of having to look elsewhere for funding. This, in the end, may prove to be often more costly and or volatile ... exactly what the creation of the FHLB was trying to prevent.

I strongly and respectfully request that the FDIC implement a policy that does not penalize or limit us on our usage of FHLB advances.

Sincerely,
Andrew E. Silsby
Senior Vice President & Treasurer
Kennebec Savings Bank