



NORTHERN
HANCOCK
BANK & TRUST

3rd & Washington Streets, Newell, W.Va. 26050

September 11, 2006

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

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am writing to you concerning the notice of proposed rulemaking and request for comment on deposit insurance requirements. Specifically, the FDIC's request for comment on whether Federal Home Loan Bank (FHLBank) advances should be included in the definition of volatile liabilities or, alternatively, whether higher assessments rates should be charged to institutions that have significant amounts of secured liabilities. I believe that enacting this rule would be harmful to community banks like mine, reduce the availability of affordable home loans and harm FHLBanks that are a very important source of funds to community banks.

Our bank uses advances in two ways: long-term advances and overnight funds. With respect to overnight funds, my bank like most community banks does not often use overnight funds as a source of funding. However, the availability of such funds at low rates improves my bank's ability to manage liquidity risk. With respect to long-term advances, my bank has used them to manage interest rate risk associated with meeting the home lending needs of the local community. Without the availability of low cost long-term funding from the FHLBank, my bank would be restricted in its ability to manage liquidity risk and would be less likely to offer fixed rate mortgage products with longer maturities.

The use of FHLBank advances can increase or decrease the risk of failure presented by a bank depending upon how they are used. But a blanket determination that all uses of FHLBank advances present increased risk is wrong. However, a blanket determination would always make the use of FHLBank advances more expensive even when they reduce risk presented by a bank.

The judicious use of FHLBank advances should be encouraged not discouraged. The proposed rule seeks to discourage the use of one of the most valuable risk management tools available to community banks. Such a rule would seem to run counter a system designed to encourage sound risk management.

Sincerely,

Mark A. Mangano
President