

# TIOGA-FRANKLIN SAVINGS BANK

*Established 1873*

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September 21, 2006

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

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am writing to respectfully object to the Federal Deposit Insurance Corporation proposal to classify Federal Home Loan Bank (FHLBank) advances as volatile liabilities, and to potentially charge advance users higher deposit insurance premiums.

FHLBank advances represent not only a key component of asset/liability management for many community banks and thrifts, but also one of the *least* volatile liabilities on our balance sheets. Advances come with set, predictable terms and, unlike deposits, are not influenced by irrational or predatory competition.

Community financial institutions often find that FHLBank advances represent one of the few long-term funding options available. This is true particularly in the current negative-yield curve environment, where it is virtually impossible to induce retail customers to invest funds in CDs having terms longer than one year.

Further, a significant percentage of those depositors who actually do purchase longer-term CDs are likely to "trade-up" if rates rise (i.e. close their accounts, absorb any early-withdrawal penalties, and reinvest at higher rates of return). Unlike retail CDs, fixed-rate FHLBank advances include no such imbedded options risk. If market interest rates increase during the term of an advance, the FHLBank remains committed to the rate on that advance until maturity.

Penalizing the use of FHLBank advances will most likely force many savings institutions to look for alternative funding sources that might be less dependable and more volatile. Consequently, implementation of this proposal may actually increase, rather than decrease, risk to the FDIC.

Thank you for the opportunity to comment.

Sincerely,



Robert K. Lockyer  
President & CEO

