Audubon Savings Bank

Established 1904

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October 28, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, DC 29429

Attention: Comments – RIN 3064-AD35

Re: Notice of Proposed Rulemaking - Deposit Insurance Assessments

Dear Mr. Feldman:

Thank you for the opportunity to comment on whether Federal Home Loan Bank ("FHLB") advances and other secured liabilities should be assessed DIF insurance premiums like deposits.

FHLB advances and other secured borrowings are a critical source of funding for my $190 million community bank. We do business in a highly competitive market and, without bidding up deposit rates, often find it difficult to time our loan funding needs with our deposit gathering efforts. FHLB advances provide my bank with not only a reliable and stable source of funding, but also are often a better interest rate risk management tool than are deposits.

We dispute the FDIC's contention that banks that heavily utilize FHLB advances and other secured borrowings are inherently riskier than those who are funded to a greater degree by deposits. The risk profile of any bank must be measured on a case-by-case basis. It is inaccurate and unfair to lump all users of FHLB advances into a "riskier" category. The deposit insurance premiums that banks pay should be based solely on their actual risk profiles as measured by their supervisory ratings from examinations. Banks that are engaged in excessively risky activities should pay higher premiums. However, the use of FHLB advances and/or other secured borrowings should not in and of itself be the reason why an institution is determined to be riskier.

The Federal Reserve and other central banks around the world have been injecting massive amounts of liquidity into the financial markets. It runs counter to those efforts, as well as to the previously stated intent of Congress to increase access to FHLB advances, to penalize the use of advances through higher assessment premiums.

Again, our position is that FHLB advances and other secured borrowing are a critical, stable, and predictable source of funding. We urge the FDIC not to allow higher insurance premiums to be assessed based solely on their usage.

Sincerely,

Robert A. Dorsey

Robert A. Dorsey
President/CEO

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