



June 13, 2008

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

RE: Interim Final Policy Statement on Covered Bonds – Request for Comments

Dear Mr. Feldman:

On April 15, 2008, the Federal Deposit Insurance Corporation adopted an interim final policy statement titled "Covered Bond Policy Statement" (Policy Statement) and solicited public comment on various issues including the FDIC's treatment of secured liabilities for assessment and other purposes. In particular, the FDIC asked "whether an institution's percentage of secured liabilities to total liabilities should be factored into an institution's insurance assessment rate or whether the total secured liabilities should be included in the assessment base." In addition, the FDIC requested comments on "whether ... there should also be an overall cap for secured liabilities."

We at ESB Financial appreciate the opportunity to address the important issues raised by this request for comments.

While the Policy Statement did not specifically refer to Federal Home Loan Bank (FHLBank) advances, we are concerned that the term "secured liabilities" encompasses such loans. We believe that penalizing the use of FHLBank advances, or placing an arbitrary cap on their use, could be counter-productive to community banks' ability to fund loan demand in their communities. Also, profitability of community banks could suffer due to the need to manage interest-rate risk of our balance sheets.

We utilize FHLBank advances for liquidity purposes, and to help us manage interest-rate risk and fund loan growth. If the use of FHLBank advances is discouraged, our bank would be forced to seek alternative, often more costly and volatile sources of wholesale funding, thereby reducing profitability and increasing liquidity risk.

Thanks for allowing me to comment on this important subject.

Sincerely,

  
James C. Wayman  
President

ESB Financial  
801 Merchant Street  
PO Box 807  
Emporia, KS • 66801  
620.342.3454  
Toll-Free 877.342.3459  
Fax 620.342.5311

ESB Financial  
Business Center  
12th & Industrial Road  
PO Box 807  
Emporia, KS • 66801  
620.342.8655  
Toll-Free 877.342.3459  
Fax 620.343.3510

[www.esbfinancial.com](http://www.esbfinancial.com)

