HUDSON CITY
BANCORP, INC.

Ronald E. Hermance, Jr.
Chairman, President and Chief Executive Officer

November 17, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Attention: Comments – RIN 3064-AD35

Re: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

On behalf of Hudson City Savings Bank ("Hudson City"), we are submitting the following comments regarding the Federal Deposit Insurance Corporation's (the "FDIC") proposed rule concerning deposit insurance assessments. We appreciate the opportunity to address this important issue.

Hudson City is a well capitalized federal savings bank and the largest thrift in the United States based on market capitalization. Hudson City has a residential mortgage portfolio totaling $28.0 billion, but has never made a subprime loan nor offered negative amortization loans or payment-option loans. We have a conservative credit underwriting culture as evidenced by our average loan-to-value ("LTV") ratio of 61% at time of origination. Our leverage capital ratio and our total risk-based capital ratio were 8.16% and 21.87%, respectively at September 30, 2008.

We believe that the amount of collateralized borrowings on a bank's balance sheet should not be considered as a primary factor in arriving at risk adjustments to deposit insurance premiums. We believe that the basic premise that borrowings, absent other factors, pose significant risk to the deposit insurance fund (the "DIF") is flawed and that the premium adjustment is punitive. The overall failure of the capital markets related to the residential lending industry and resulting impact on the confidence of consumers and the overall economy should not be remedied with excessive fees on the remaining healthy institutions striving to provide financing to consumers and businesses.

Penalizing the use of secured borrowings is contrary to the current efforts by the Administration, Congress, and the Federal Reserve to restore liquidity and bolster confidence in the financial system. The proposal would have the unintended consequence of causing banks to further restrict mortgage lending, particularly 15- and 30-year fixed rate lending. Our ability to access borrowed funds allows us to increase our mortgage production. For the first nine months of 2008, our loan production was $6.6 billion as compared to $5.7 billion for the same period in 2007. It would be very difficult for us to fund this level of loan production with retail deposits. Hudson City has a very stable retail deposit base. We do not accept brokered deposits and have very a limited amount of municipal and commercial deposit accounts. At a time when credit markets have seized and the U.S. government is investing billions of dollars into programs to incent banks to lend, such a risk adjustment to deposit insurance premiums would further restrict lending efforts.

Under this proposal, strong financial institutions that continue to lend and provide customers with access to safe deposit products will be faced with several undesirable outcomes. First, operating costs will go up as a result of increased premiums. We expect that Hudson City's quarterly deposit premiums will increase by more than 200% as a result of the increases in our base assessment rate and the secured liability adjustment. Second, these banks will increase their focus on attracting less stable retail deposits by paying premium rates for these accounts. If banks throughout the country turn to this method, it will drive up their cost of funds and decrease their net interest rate spread and margin as they attempt to not only attract new deposits to replace the secured borrowings, but to retain their existing deposit base in the face of the resulting increased rate competition. Many of these banks are traditional thrift institutions or community banks with strong asset quality. The proposal would unfairly punish these institutions that never participated in the risky practices that have caused so many banks to fail in 2008.

In addition, while it is true that secured borrowings encumber assets, the use of retail deposits to fund long-term assets exposes the bank, and the DIF, to greater interest rate risk and greater liquidity risk. For example, Hudson City utilizes secured borrowings to fund mortgage loan production and to manage interest rate risk. Hudson City traditionally offers fixed-rate loans and hybrid loans with rates that adjust after an initial fixed rate period ranging from three to ten years depending on the product chosen. The longer maturity terms of secured borrowings used by Hudson City match the average life of a mortgage loan more closely than retail deposits. As a result, we are able to reduce our exposure to interest rate risk. A significant premium adjustment based on the use of secured borrowings would serve to neutralize the benefit of these borrowings in connection with interest rate risk management, thus again penalizing an otherwise well managed institution that is safely meeting the needs of the communities it serves.

The FDIC has several options to recapitalize the DIF without penalizing banks that did not contribute to the current crisis. While we understand the concern of unwarranted expense to the DIF caused by failed institutions with a significant level of secured borrowings, we respectfully believe that the risk assessment premium should be based on the qualitative risk profile of the bank, not the potential loss to the deposit fund if a bank is mismanaged. This is particularly true for institutions like Hudson City with capital ratios comfortably in excess of levels to be considered well capitalized and with a consistent track record of high asset quality. A bank that uses secured borrowings in a judicious and prudent manner does not pose a significantly higher risk to the DIF than one that uses all retail deposits.

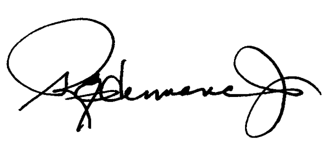
The United States government has implemented unprecedented new programs to stabilize the credit and financial markets. We believe that, as part of these programs, losses to the DIF from bank failures as a result of this economic crisis should not be funded by healthy institutions. As market conditions improve, many believe that the assets purchased under these programs and the equity positions taken in many banks, will provide a future revenue stream. We believe that this revenue stream, generated by assets from troubled and failed banks, could be used to fund part of the losses, caused by these same banks, to the DIF.

Alternatively, we believe that some of the $700 billion provided to the U.S. Treasury through the Emergency Economic Stabilization Act of 2008 (the “EESA”) could be infused immediately into the DIF to correspondingly reduce the premium increase. The restoration period could then be prolonged until all EESA funds are repaid to the U.S. Treasury. Based on recent comments by representatives of the U.S. Treasury and the U.S. Congress, the U.S. Treasury is reconsidering alternative uses of the funds provided by EESA in a way that would directly benefit consumers. We believe that consumers would benefit directly from the U.S. Treasury’s support of the DIF to protect insured deposits. We believe that if the U.S Treasury were to recapitalize the DIF, it would provide a measure of confidence to the consumer at a time when market conditions are causing a crisis of confidence.

The FDIC is statutorily permitted to extend the period to restore the reserves of the DIF during extraordinary circumstances. Considering that the FDIC has already cited its statutory authority to prevent systemic risk in its earlier actions, it is only fitting that these circumstances be applied to DIF restoration. The actions cited above will expire on December 31, 2009, suggesting that there may be a comprehensive review of the nation’s deposit insurance system at that time. In light of these factors, the FDIC should consider suspending its current rulemaking to permit some degree of normality to return to the credit markets.

We trust that the FDIC will consider our comments in the final rulemaking process. We would be pleased to discuss our thoughts and ideas with the FDIC.

Sincerely,



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