The Savings Bank
Since 1869

5 November 2008

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Proposal to Charge Deposit Insurance Premiums on FHLBank Advances

Dear Mr. Feldman,

Thank you for this opportunity to comment on the above proposal. The Savings Bank supports this proposal.

The Savings Bank is a $390 million mutual savings bank headquartered in Wakefield, Massachusetts. Our charter dates to 1869. We have 8 branches. We have $5 million in borrowings from the FHLB of Boston which were taken in March 2008. This was the first time The Savings Bank utilized borrowed funds. Under the proposal, we could have as much as an additional $40 million in borrowings without hitting the target percentage of 15% of domestic deposits.

In our opinion, banks that have large FHLBank advances have leveraged their balance sheets and, in the process, have pledged certain assets against those borrowings. In the event of a failure those assets will be more difficult to dispose due to their pledged nature. While arguments can be made that borrowings increase available credit, it should be pointed out that, many times, the cost to borrow is more expensive than the cost of raising deposits (depending on the length of the borrowing of course). In both cases, there is some degree of asset/liability mis-match. While borrowing funds does not entail the cost of a branch network, borrowings also prevent the "cross sale" of other banking products. This is akin to the practice of buying mortgage-backed securities rather than making loans (although borrowings, as noted, are generally more expensive whereas MBS products generally have a lower risk-based capital percentage).

To the extent that some banks utilize FHLBank advances in lieu of taking deposits, those of us who do not utilize large borrowings are at a disadvantage when it comes to paying for deposit insurance.

The proposal does not eliminate the ability to borrow for purposes of balance sheet management, liquidity, or the extension of credit. It merely assesses a premium for those that depend on borrowings above the 15% threshold.

Thank you for your consideration of our support for the proposal.

Sincerely,

B. D. McCoubrey

Brian D. McCoubrey
President and Chief Executive Officer

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