

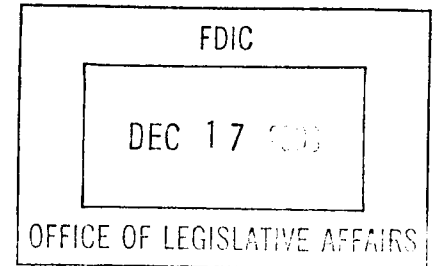
BARNEY FRANK, MA, CHAIRMAN

U.S. House of Representatives
Committee on Financial Services
 2129 Rayburn House Office Building
 Washington, DC 20515

December 17, 2008

VIA FACSIMILE

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



Re: RIN No. 3064-AD35, Deposit Insurance Assessments

Dear Mr. Feldman:

In 2006, Congress passed and the President signed into law deposit insurance reform legislation that, together with other recent statutory changes, underpins the FDIC's proposed rule to update its deposit premium assessment system. I am writing to express my concern that part of the FDIC's proposal may adversely affect Federal Home Loan Bank (FHLBank) member institutions and customers.

Among other things, the FDIC's proposed rule would impose higher assessments on institutions that hold certain levels of FHLBank advances. This aspect of the proposal was not specifically authorized by the deposit insurance reform legislation and, in fact, was the subject of Congressional concern. During congressional debate on the House version of deposit insurance reform legislation, which I authored, I voiced my concern that the FDIC's "development and implementation of a new risk-based assessment system not negatively impact the cost of homeownership or community credit by charging higher premiums to prudently managed and sufficiently capitalized institutions simply because they fund mortgages and other types of lending through advances from Federal Home Loan Banks." Cong. Record, Dec. 19, 2005, p. E2624.

The FDIC proposal would charge progressively higher premiums to institutions with FHLB advances that equal or exceed 15% of their domestic deposits. Such a system assumes that the more advances an institution may hold, the higher the risk it poses to the Deposit Insurance Fund. Advances are authorized under a 1932 law, the Federal Home Loan Bank Act, to provide funding for housing and related credit. The Gramm-Leach-Bliley Act of 1999 affirmed that mandate with regard to smaller community institutions by expanding their access to advances.

The idea that asset growth through advances is risky and, therefore, should be the subject of increased assessments seems questionable. Some banks may not need advances but others, especially community banks, rely on advances to fund their appropriate lending activities because they simply do not have access to sufficient deposits.

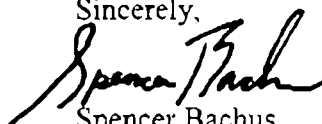
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In the current economic crisis, the legitimate use of advances should not be unnecessarily discouraged or penalized. Reasonably priced advances with short-, medium- and long-term maturities are stable sources of liabilities for FHLBank members. In many cases institutions are better able to match loan maturities to advances than they are to deposits.

For all of these reasons, I would urge you to reconsider the wisdom of imposing higher deposit insurance premiums on institutions based upon their reliance on FHLB advances.

Thank you for considering my views in this matter.

Sincerely,



Spencer Bachus
Ranking Member