



# COUNTY OF ERIE

Office of County Council  
Erie County Courthouse

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Joseph F. Giles, Chairman • Ronald G. Cleaver, Vice-Chairman • Phil Fatica • Kyle Foust • Fiore Leone • Carol J. Loll • David E. Mitchell

December 15, 2008

Mr. Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, NW  
Washington, DC 20429  
Attention: Comments – RIN No. 3064-AD35

Dear Mr. Feldman:

This comes as comment from Erie County Government on the proposed rulemaking concerning deposit insurance assessment premiums (RIN No. 3064-AD35) detailed in an October 17<sup>th</sup> FDIC notice. Thank you for this opportunity to address an issue that has extreme importance to me, other elected officials and, ultimately, the citizens of Erie County.

Deposit insurance provides a significant guarantee critical to our financial system and we commend the FDIC for taking the necessary steps to ensure its availability during this time of financial uncertainty. It is also important that the impact of such efforts not increase the strain on our local financial institutions and those they serve in Erie County. Unfortunately, the inclusion of Federal Home Loan Bank (FHLBank) advances within the new risk-based insurance assessment will have such an impact.

For seventy-six years, financial institutions in the Erie area have benefited from FHLBank advances as have all Erie Countians. They serve as a critical and cost-effective source of liquidity for housing and community development projects, sustain prudent financial management practices and enable small community banks to remain competitive. Penalizing and thereby discouraging the use of FHLBank advances will have the effect of further restricting an already slow flow of credit to our municipalities, further weakening our economy.

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A reduction in the use of FHLBank advances will also affect the profitability of the FHLBanks and reduce their annual contribution to their Affordable Housing Fund (AHP). By law, the FHLBanks contribute ten percent of their net income to the AHP.

The AHP is the largest private source of grant funds for affordable housing in the country. In the first six months of 2008, approximately \$176 million was made available for affordable housing projects nationally including homeless shelters, special needs housing, and senior housing. This is an increase of 24.8 percent over the same period of time last year. Since the program's inception in 1989, over \$3 billion in AHP funds have been committed to help finance 600,000 housing units.

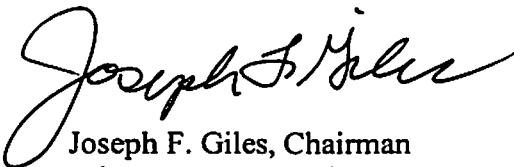
Additionally, each FHLBank supports local community development activities through their Community Investment Programs (CIP). This funding, provided directly through lower-cost CIP advances, finances a variety of infrastructure, small business and community and economic development activities. Total CIP lending is approaching \$50 billion, financing 650,000 housing units; many of those have occurred throughout Erie County. Other important local projects would also suffer negative impacts through this action.

The FDIC has the statutory authority, under "extraordinary circumstances," to extend the DIF restoration period beyond the normal five years. Considering that the FDIC has already cited its statutory authority to prevent systemic risk in its earlier actions, and the Federal Reserve and Treasury have taken steps reserved for extraordinary circumstances, it is only fitting that the FDIC use this opportunity to extend the period for DIF restoration beyond the Rule's five year target and reduce the need to overburden an already strained financial system and unnecessarily target FHLBank advances.

In light of these factors, the FDIC should suspend implementation of the new risk-based premiums and amend the current proposal to extend the DIF restoration period.

Thank you for consideration.

Sincerely,



Joseph F. Giles, Chairman  
Erie County Council

cc: Bill Miller  
Government Relations  
FHLBank Pittsburgh