

Garry D. Watkins  
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November 20, 2008

Mr. Robert E. Feldman  
Executive Secretary  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, NW  
Washington, DC 20420

Attention: Comments – RIN No. 3064-AD35

RE: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

As members of the Advisory Council of the Federal Home Loan Bank of Cincinnati, we are submitting the following comments regarding the Federal Deposit Insurance Corporation's proposed rule on deposit insurance assessments. We appreciate the opportunity to address this important issue and urge you to refrain from increasing bank deposit insurance premiums based on the use of Federal Home Loan Bank (FHLBank) advances.

The Advisory Council is a diverse group of people from throughout Ohio, Kentucky and Tennessee who provide advice on the housing and community development needs of the region. The members of the Advisory Council are directly involved in community and not-for-profit organizations that serve the needs of both urban and rural areas in all three states.

As you are aware, virtually every part of the country has benefited from FHLBank advances. These advances function as a critical source of credit for housing and community development purposes; they sustain prudent balance sheet management for financial institutions; and they enable small community member banks throughout the nation to remain competitive. FHLB advances represent a primary source, and for some the only source, of long term, fixed rate financing for community banks. All of these advantages to consumers and institutions alike will be significantly diminished by reducing the use of FHLB advances, and that is what will inevitably occur if advances are made more expensive. These would not seem to be the economic times in which valuable credit tools should be rendered less attractive.

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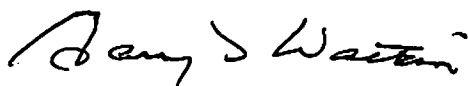
In addition to the direct impact on member institutions and their customers, the Advisory Council has an additional compelling reason to urge that the assessment not be levied. A regulation that discourages the use of FHLBank advances by increasing their cost will decrease the profitability of the FHLBanks and have a harmful effect on the Affordable Housing Programs (AHP) of the FHLBanks. By law the FHLBanks contribute ten percent of their net earnings to their AHP. Reducing the FHLBanks profitability will also reduce their AHP contributions.

The AHP is one of the largest private sources of grant funds for affordable housing in the country. Within our three state District, a total of \$37 million in AHP subsidies was made available for owner-occupied and rental housing development in 2008. Since the program's inception in 1989, just under \$300 million in AHP funds have been committed by the Cincinnati FHLBank to help finance 46,000 housing units. Many of these units are occupied by households with special needs, very low incomes, and those living in areas that are hard to serve. Systemwide, over \$3 billion in AHP funds have been committed by the 12 FHLBanks to help finance 600,000 housing units.

Additionally, each FHLBank supports community development activities through their Community Investment Programs (CIP). The CIP directs lending towards economic development programs that are located in low to moderate income neighborhoods. This funding provides loans for a variety of small businesses, commercial/industrial, social-service or public-facility initiatives, and infrastructure initiatives. Systemwide, total CIP lending is now approaching \$50 billion, financing 650,000 housing units and thousands of economic development projects.

In an era when it is difficult for any entity to find reliable sources of financing, it is vitally important to preserve the funding that the FHLBanks provide to consumers and communities across the nation. In considering a final rule on deposit insurance assessments, we strongly urge the FDIC not to adopt a policy that would penalize communities and financial institutions based on their use of FHLBank advances.

Sincerely,



Garry D. Watkins  
Advisory Council Chair