Passumpsic Savings Bank

June 17, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 – 17th St. N.W.
Washington, D.C. 20429

VIA email

Re: Covered Bonds/Secured Liabilities

I am writing in comment of the FDIC's solicitation for comments on the treatment of secured liabilities for assessment purposes.

Passumpsic Savings Bank is concerned that either capping the use of wholesale funding or increasing a bank's deposit insurance premium due to use of wholesale funding would be contrary to good public policy. Many banks find it necessary to utilize wholesale funding, primarily advances from the Federal Home Loan Banks, in order to meet the credit needs of their communities. By increasing the cost though higher assessments or restricting access to this funding will only increase the borrowing costs and limit credit availability at a time when well underwritten credit is needed in the marketplace, particularly in residential lending.

The use of wholesale funding through secured liabilities does not equate to increased risk, which should be the basis for higher assessments by the FDIC. Currently the FDIC has very good analytic tools through the examination process to measure the risk profile of the institutions it insures. How an institution uses wholesale funding and structures this type of funding may lead to increased risk and is readily identifiable through examination and offsite monitoring. The FDIC should continue to utilize this proven method to identify and measure risk and ultimately set assessment rates for each institution based on this risk assessment. Utilization of a blanket approach based on the level of or use of secured liabilities penalizes many well run institutions, raises the cost of borrowing to consumers and potentially restricts the flow of credit that is critical to keeping our economy sound.

We urge the FDIC to not move forward with this proposal.

Sincerely,

Peter F. Crosby
President

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