



H·A·N·D·S

November 3, 2008

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 20429

Attention: Comments – RIN No. 3064-AD35

Re: Notice of Proposed Rulemaking – Deposit Insurance Assessments

Dear Mr. Feldman:

The Federal Deposit Insurance Corporation (“FDIC”) has issued a notice of proposed rulemaking (the “Rule”) with respect to deposit insurance assessments. This letter sets forth the comments of Housing and Neighborhood Development Service (HANDS) with respect to the Rule. We appreciate the opportunity to address this important issue and urge you to refrain from increasing deposit insurance premiums based on the use of Federal Home Loan Bank (“FHLBank”) advances.

Any regulation that discourages the use of FHLBank advances, or has the effect of increasing the cost of FHLBank advances, will decrease the volume of advances and affect the profitability of the FHLBanks. This will have a harmful effect on the Affordable Housing Programs (“AHP”) of the FHLBanks. By law, the FHLBanks contribute ten percent of their net income to the 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. In the first six months of 2008, a combined total of approximately \$176 million was made available for regional housing projects nationally. 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 by the FHLBanks to help finance 600,000 housing units. My Organization has relied on the AHP program for over 10 years in providing supplemental development and continue to rely on this important resource to supplement the Low-Income Housing Tax Credit and other production programs.

For nearly eight decades, the FHLBanks, their member financial institutions and the communities they serve nationwide have benefited from FHLBank advances. These advances function as a critical source of credit for housing and community development purposes, sustain prudential financial management practices and enable small community member banks throughout the nation to remain competitive. Penalizing FHLBank members for using advances will have the effect of restricting the flow of credit to communities, which would further weaken local economies already struggling in the current economic climate.

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 communities across the nation. In considering a final rule concerning deposit insurance assessments, we strongly urge the FDIC not to adopt a policy that would penalize institutions or the communities they serve based on the use of FHLBank advances.

Thank you for consideration of our views. Should you have any questions or require additional clarification, please do not hesitate to contact me.

Very truly,
HOUSING AND NEIGHBORHOOD
DEVELOPMENT SERVICE


Charles G. Scalise
President/CEO