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:

I am writing to express concern about the Federal Deposit Insurance Corporation's notice of proposed rulemaking published in the Federal Register on October 16, 2008. It appears the FDIC is proposing an increase in deposit insurance premiums on institutions that use secured liabilities. I appreciate you giving us the opportunity to address this important issue.

My bank uses FHLBank advances for managing its balance sheet and to help implement our business plan. The FHLBanks are playing a critical role in alleviating liquidity shortages in the markets. Penalizing the use of FHLBank advances is contrary to the efforts of the Administration, Congress and the Federal Reserve to restore liquidity and bolster confidence in the financial system.

Under the FDIC proposal, operating costs will rise at some banks, as will dependence on more volatile sources of wholesale funding if you implement these changes without more thought. This will increase overall costs and cause all banks to chase deposits, which will result in higher interest rates for credit in the communities they serve. Other institutions simply will be forced to decrease lending in their communities. During this current economic crisis, it would be harmful to implement a policy that would further restrict lending. I'm also convinced that a regulation which discourages the use of or increases the cost of FHLBank advances will have a detrimental effect on the Banks' Affordable Housing Program. Specifically, reducing FHLBank profitability will reduce AHP contributions. This is why I strongly urge the FDIC to withdraw the Proposed Rule and to delay increasing assessment rates and to delay overhauling the assessment system until the end of 2009, when the fate of recent federal government interventions potentially affecting the Deposit Insurance Fund have been resolved.

In the event that the FDIC does not withdraw the Proposed Rule, I recommend the following revisions to the proposal:

- Extend the Restoration Period to Ten Years. The FDIC should use its "extraordinary circumstances" authority to extend the time period to rebuild the deposit insurance fund from five years to ten years. This will limit unnecessary stress on insured depository institutions, the communities they serve and the economy as a whole.

- Withdraw the Adjustment for Secured Liabilities. I believe that penalizing institutions that rely on secured debt for part of their funding would disrupt the current business practices of many healthy institutions, at a most inopportune time. Recent events have proven how much more stable and reliable FHLBank advances and certain other forms of secured debt are relative to retail deposit funding, which has historically been characterized by extreme volatility. This stability of funding is even more important in rural states and communities, like those served by FHLBank Topeka, where disintermediation of deposits and out-migration of population increase community bankers' dependence on secured liabilities to meet their communities' loan needs. In addition, by penalizing on-balance sheet secured debt financing, the Proposed Rule would inadvertently subsidize the resurgence of the "originate-and-sell" model of mortgage finance. Many observers, including from time to time the Chairman of the FDIC, have noted how this model breaks the traditional role of a mortgage lender into separate components, thereby encouraging riskier underwriting at origination and complicating credit workout strategies on the back end because the originating financial institution has "no skin in the game." The Proposed

Rule did not consider the potential effect this shift would have on systemic risk and the likelihood of additional depository institution failures. For these reasons, if the current rulemaking continues, I ask that the final rule remove the proposed upward adjustment in assessment rates for institutions that rely on secured liabilities.

- No Penalty for FHLBank Advances. If the FDIC does proceed with an upward rate adjustment for secured liabilities, I believe that FHLBank advances should be treated more favorably than certain other forms of secured liabilities. The FHLBanks are unique providers of secured funding, cooperatives devoted to serving the needs of their stockholder-customers, and as a result, advances typically are priced with very narrow spreads over the FHLBanks' cost of funds. In addition, their unique structure ensures that most of the earnings from the making of advances are promptly returned to the banking and housing systems, in the form of dividends and required contributions to each FHLBank's Affordable Housing Program. Finally, I believe that the reliability of advances as both a source of liquidity to and an effective asset-liability risk management tool for depository institutions has been proven over the last 15 months as the FHLBank system has stepped in to fill the liquidity void. I firmly believe that the number of institution failures would have been much higher (and costlier to the FDIC) in the absence of the FHLBank system.

For over seventy-five years, the FHLBanks, their member financial institutions, and the communities they serve nationwide have benefited from FHLBank advances. FHLBank advances function as a critical source of credit for housing and community development purposes, sustain prudent financial management practices, and enable small community member banks throughout the nation to remain competitive. FHLBank membership has long been viewed as protection for deposit insurance funds because FHLBank members have access to guaranteed liquidity. Thank you for your consideration of my views.