The Bryn Mawr Trust Company

September 19, 2006

Via Email to: Comments@FDIC.gov

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Attention: Comments

Re: RIN Number 3064-AD09
Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am writing to comment on the Federal Deposit Insurance Corporation's proposal to classify Federal Home Loan Bank (FHLBank) advances as volatile liabilities and potentially charge advance users higher deposit insurance premiums. We oppose this proposal since FHLBanks are highly stable institutions and their advances are verifiably low-risk. Enacting this rule would be harmful to FHLBank member institutions and could actually increase exposure and risk to the FDIC.

FHLBank advances are not a volatile liability for members. They are a key component of liquidity for institutions like ours. They come with set, predictable terms allowing efficient balance sheet management. Unlike deposits, advances do not diminish when market forces or consumer habits change.

FHLBanks themselves are a core part of the American banking system. As created by Congress in 1932, they have been the standard for stability, surviving the swings of markets, interest rates, and business cycles. Their cooperative structure, joint and several liability, and conservative business models ensure the future availability of advance products for their over 8,000 members.

Discouraging banks from borrowing from FHLBanks would be counterproductive to reducing risks for the FDIC. FHLBank advances ensure available, cost-effective liquidity, manage interest-rate risk, as well as fund loan growth. Penalizing advance use will force institutions to look for alternative sources that are not as dependable and are far more volatile than FHLBank advances. This would result in fewer loans, reduced profits, and higher liquidity and interest-rate risk.

The FDIC should continue to determine rates using an institution's actual risk profile, reflected in comprehensive supervisory ratings. Those institutions engaged in risky activity should have higher premiums than their more conservative counterparts regardless of whether the funding comes from advances, deposits or other sources.

When Congress created the FHLBank System in 1932, its goal was a steady stream of mortgage credit through advances. Congress reiterated its support of advances by expanding small banks access to this funding in the Gramm-Leach-Bliley Act. This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

Sincerely,

J. Duncan Smith

J. Duncan Smith
Chief Financial Officer and
Executive Vice President

JDS/jem