From: Greg Shook [mailto:gshook@essexsavings.com]
Sent: Wednesday, August 30, 2006 11:35 AM
To: Comments
Subject: Deposit Insurance assessments and FHLBB advances

August 30, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550-17th Street, N.W.
Washington, D.C. 29429

Dear Mr. Feldman:

I write to briefly express my concern over two issues. One the so-called free ride for firms established after 1996 and two, the FHLBank advances being included in the volatile liabilities definition.

On the first issue we were established in 1851 and for the last decade have given away 10% of our after tax net income to over two hundred non-profit 501(c)3 entities. As a mutual, if we do well so does our community. This is a self imposed discipline we have established to assist in community development and provide a financial resource that helps improve the quality of life within our CRA assessment area. We have for years paid our fees into building the FDIC fund and deserve some consideration against free riders and entities that received fresh capital from investors who are trying desperately to grab market share and within a five to ten year period sell out to enhance the wealth of their limited investor pool at the potential expense and subsidy of the nonpublic and previous rate payers. We should receive a credit for our capital expended over the years.

The second issue, penalizing the use of advances after strategies were employed on many balance sheets for interest-rate risk and to maintain margins in a flat yield curve environment, is reminiscent of when interest rates on deposits became market priced and we had portfolios of fixed rate assets - both mandated. Market conditions create windows of opportunities to use FHLBank advances in numerous ways to reduce various risks and to keep cash flows for changing economic conditions. By moving the goal posts, business decisions made over the last three years can come at a time when a perfect storm could be rising. It is evident, an economic slowdown is in process, there are thinning margins due to a protracted flat yield curve that could last much longer than anyone would have predicted. In addition there is extremely stepped up completion on all business lines from the internet to the big box banks that only want market share and are trying to drive their competition away. Further banks could likely have falling liquidity due to net deposit outflow and momentum influencing deposit patterns with an eventual fall in rates that the low 10 year treasury rate seemingly is screaming. We need the FHLBank advance window for liquidity comfort. This proposal would be crippling the very helpful FHLBank ability to help us remain competitive and would not be in keeping with their role envisioned by congress. Retroactively or placing the assessment on borrowings would be punitive and could be construed as another impediment to completion for many smaller banks that are not privy to alternatives and do not have capital market options. You should not add this revenue source because these funds are not the FDICs insurance risk which was the reason the insurance was placed in existence for protecting depositors. There are checks and balances that argue the FHLBanks' make our institutions safer and protects the insurance fund. Borrowings are not deposits and should not be accessed. The FHLBanks' remain vital to many banks operations, especially ours.

Sincerely,

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