

September 12, 2006

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

**RE: RIN # 3064-AD09 - COMMENTS ON CLASSIFYING FEDERAL HOME LOANS
BANK ADVANCES AS "VOLATILE LIABILITIES"**

Dear Mr. Feldman:

I strongly urge the Federal Deposit Insurance Corporation (FCIC) not to classify Federal Home Loan Bank (FHLB) advances as "volatile liabilities". While there are many reasons why such regulatory language classifying FHLB advances should not be enacted, I am listing the reasons that most closely impact those of community development agencies, such as the agency where I work.

1. The Federal Government for sometime has been abdicating its responsibility to assist in funding affordable housing for the nations elderly and needy households. This abdication is contributing to the rising number of homeless persons as well as an expanding shortage of affordable housing which is very much a national problem. The Federal Home Loan Bank is a major player (federal) in funding affordable housing programs and their funds support various programs, which are directly related to its profits. The proposed regulations will directly reduce the FHLB funds for affordable housing programs.
2. Banks that are now use FHLB advance will be forced to use higher cost funding drop some existing services. We already have too much of a shift of funds to the wealthier part of our society.
3. There are no volatile liabilities for the members of the FHL Bank. Risk is reduced when compared when compared to the use of alternative markets. There simply are no "volatile liabilities". The conservative approach used by FHLB – where deposit insurance premiums are based on the institution's actual risk profile is simpler, direct (not volatile). Let's keep it this way.
4. What is the purpose of the proposed regulations? Why is it necessary to fund affordable housing without federal assistance? I believe the use of FHL Bank funds is a proper and just approach to helping to solve/mitigate a growing national problem before we are forced to go back to direct federal intervention – i.e. Public Housing Urban-Renewal etc.

Please consider these comments on affordable housing practitioner.

Sincerely,

Raymond C. Guernsey