INVESTORS SAVINGS BANK | Corporate Office
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SHORT HILLS, NEW JERSEY 07078

August 23, 2006

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, DC 29429

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I write with regard to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, I write to address the FDIC's request for comment on whether Federal Home Loan Bank (FHLBank) advances should be included in the definition of volatile liabilities or, alternatively, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities.

Advances are not volatile liabilities for FHLBank members. FHLBank advances have pre-defined, understood and predictable terms. Unlike deposits, advances do not evaporate due to circumstances outside of the control of an FHLBank member. Recent experience has shown that deposits may be lost due to disintermediation arising from a variety of factors: special, short-term promotions in a particular market or the existence of higher returns to depositors on alternative assets. The FHLBanks are a stable, reliable source of funds for us and the availability of such credit has a predictable, beneficial effect on our business plans. Given the value of such a stable source of funding I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities. This action would not only discourage borrowings nationally but would also be counterproductive to our ability to manage interest rate risk and to fund the demand for loans that serve as the catalyst for economic growth.

Deposit insurance premiums should be based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. Banks that are engaged in excessively risky activities should pay a higher premium, regardless of whether those activities are financed by insured deposits, FHLBank advances, or alternative wholesale funding sources. The professional and capable FDIC examination staff is better suited to determining a bank's risk profile than an inflexible formula imposed on all insured institutions, regardless of circumstance.

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The cooperative relationship between the FHLBanks and member financial institutions has worked remarkably well for 75 years. FHLBank advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices and allow 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. Penalizing us for our cooperative relationship with the FHLBanks would result in our being less competitive, limit credit availability in the communities we serve and limit our use of a valuable liquidity source, all for no justifiable economic or public policy reason. I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Sincerely,

Robert M. Cashill

Robert M. Cashill
President/CEO

(Sender's direct dial number is 973-'24-5101.)

cc: Maureen Kalena, Federa' Home Loan Bank of New York