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September 11, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429-0001

**ATTN: COMMENTS**

Dear Mr. Feldman:

The Southeast National Bank is pleased to provide comments in response to the Federal Deposit Insurance Corporation's notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, we are writing to address the FDIC's request for comment on whether Federal Home Loan Bank (FHLB) advances should be included in the definition of volatile liabilities or, alternately, whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities.

We believe that FHLB advances should not be characterized as "volatile liabilities" for FHLB members. FHLB advances are secured extensions of credit to members with pre-defined, understood and predictable terms. Unlike deposits, advances liabilities do not increase or decrease due to circumstances outside of the control of an FHLB member. 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 investments. While certain large institutions can look to the Wall Street capital markets for replacement liabilities, the capital markets are not typically long-term, stable providers of wholesale funds to the community banks that comprise the bulk of the membership of the Federal Home Loan Bank System.

As established by Congress, the primary purpose of the FHLB system is to provide a source of liquidity for FHLB members. Throughout their 74-year history, the FHLBs have performed this mission successfully. The FHLBs are a stable source of funds for member institutions, and the availability of such credit has a predictable, beneficial effect on members' business plans. Given the value of such a stable source of funding, it is not surprising that more than 8,100 financial institutions are members of the FHLB system. It would be illogical to include FHLB advances in the definition of volatile liabilities given the stability of the FHLBs, the reliable availability of advances as a source of wholesale funding and the beneficial and predictable effect of such funding on members' business plans.

We urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities or to impose a deposit insurance premium assessment on "secured liabilities".

Sincerely,

Dana Ronk-Potthoff

Dana Ronk-Potthoff
Vice President & CFO

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