STONEBRIDGE BANK
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September 11, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 229429

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am frequently bemused at the proposals emanating from our Regulators. In an effort to protect the banking system, the FDIC and other Regulators are continuing to add cost and complexity to the Banking System. Most of which, with a little common-sense, can be avoided.

We oppose this proposal since FHLBanks are highly stable institutions and its 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 other, alternative sources that are not as dependable and are far more volatile than the FHLBank. This would result in fewer loans, reduced profits or other sources.

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 through advances, deposits and higher liquidity and interest-rate risk.

This proposal, which seeks to penalize the judicious use of advances, runs contrary to the actions and intent of Congress.

Sincerely,

Joseph C Spada

Joseph C. Spada
President and CEO

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