



September 19, 2006

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

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman,

I write regarding 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. We believe that enacting this rule would be harmful to FHLBanks, their member institutions, and affordability and access to housing.

- FHLBank advances should not be factor in assessing FDIC premiums for the following reasons:
- Deposit insurance should continue to be based on the institution's overall risk profile. Assessments based on components of the balance sheet ignore the fact that attributes of one component may offset the risks of another.
  - Institutions use FHLBank advances as a cost-efficient source of funds to meet loan demand. Increasing the cost of these funds will lead to increased costs for the borrowers.
  - Advances are not volatile liabilities for institutions because the terms are known. Institutions know how long the funds will be available, unlike deposits that can evaporate for reasons the institution cannot control.
  - Penalizing institutions for using FHLBank advances would limit a valuable source of liquidity, make institutions, especially community banks that have limited access to capital markets, less competitive, and limit the availability of credit in the community we serve.

I appreciate the opportunity to comment on this important matter and provide a locally owned, community bank's perspective.

Sincerely,

Michael J. Sowinski  
VP, Contoller