From: Ashley Burt [mailto:aburt@gunnisonbank.com]
Sent: Thursday, September 21, 2006 4:32 PM
To: Comments
Subject: Deposit Insurance Assessments and Federal Home Loan Bank Advances

September 21, 2006

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

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances, Federal Deposit Insurance Corporation (FDIC), RIN 3064-AD09

Dear Mr. Feldman:

The Gunnison Bank and Trust Company is concerned about the proposed inclusion of FHLB advances in the in the definition of volatile liabilities and whether higher assessment rates should be charged to institutions that have significant amounts of secured liabilities.

There are several grounds upon which we believe the proposed legislation is flawed with respect to this issue.

1. Advances are not volatile liabilities. Advances are predictable liabilities and should be treated as such. Deposits do not fit this same mold.

2. The FHLB system was established to provide a long-term liquidity source for Bank members. The proposed legislation contradicts this objective, lumping advances with deposits that are inherently less predictable.

3. While the FHLB may only look at collateral to determine borrowing ability, other regulatory agencies look much deeper. The concerns surrounding borrowing in excess of sound business practices should be addressed only by the agencies charged with this task.

4. Additional safeguards already exist to allow collaboration between the FDIC and the FHLBanks. If an FDIC-insured institution is capital deficient, its FHLBank must honor a request from the members appropriate federal banking agency or insurer not to lend to such member.

FHLB liquidity has become an integral part of our liquidity planning, and hence our business plan in general. Handicapping this liquidity source unfairly affects independent community banks that do not have the same capital market access as our larger competitors. This appears to be an unintended consequence of the proposed legislation, and may well violate a primary mission of providing a stable, low cost source of liquidity to fund the independent banks role in community development.

Therefore, we urge the FDIC not to include FHLBank advances in the definition of volatile liabilities or to charge higher assessment rates to institutions that have significant amounts of secured liabilities.

Sincerely,

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