MERCANTILE
BANK OF MICHIGAN

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By

August 31, 2006

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

Re: Requests for comments-Deposit Insurance Assessments on FHLBank Advances-RIN 3064-AD09

Dear Mr. Feldman:

Please be advised that the Board and Management team of Mercantile Bank Corporation **DO NOT** believe that Federal Home Loan Bank (FHLB) advances should be included in the definition of volatile liabilities, or that higher assessment rates should be charged to institutions that have significant amounts of secured FHLB liabilities.

Mercantile is a $2 Billion financial institution headquartered in Grand Rapids, Michigan. We also have locations in Holland, Lansing and Ann Arbor Michigan. We make Mortgage loans in all of these markets, and have relied upon FHLB borrowings to help us achieve our mission since we opened our doors, nine years ago.

Mercantile has used FHLB advances as part of our funding strategy since our inception. We have appreciated the well-defined and predictable nature of these advances. While larger financial institutions have a much broader access to Wall Street and the Capital Markets, the relationship we and other small to moderate size institutions have established with the FHLB has been essential to maximizing our success. Simply put our ability to purchase FHLB stock and to utilize all of the products this GSE cooperative offers, especially advances, has been a big part of our business plan. To add unnecessary costs through the classification of these liabilities as volatile is, in my opinion, wrong.

Throughout their 75 year history, the Federal Home Loan Bank system has been a very stable, reliable source of funds for member institutions. I have yet to see any evidence provided that would indicate that the use of FHLB advances increases the probability that an institution will fail.

Penalizing the use of FHLB advances will most likely force institutions to utilize more costly wholesale funding sources to fund their Mortgage lending operations. At the very least, classifying these advances as volatile would likely depress Mortgage Lending by adding an unnecessary cost.

In Summary, we urge the FDIC not to include the Federal Home Loan Bank advances in the definition of volatile liabilities.

I thank the FDIC for the opportunity to submit our comments.

Sincerely,

Michael H. Price
President and CEO

cc: Gerald Johnson, Chairman
Charles Christmas, CFO