



## Greater Rochester Housing Partnership

September 20, 2006

Robert Feldman, Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429



Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

The Greater Rochester Housing Partnership is a non-profit financial intermediary providing developers of affordable housing with debt and equity needed to create and preserve affordable housing. I am concerned about the negative impact of assessing higher FDIC premiums for Federal Home Loan Bank advances to member banks.

Advances are not volatile liabilities for FHLB member banks. The advances have pre-defined, predictable terms and, unlike deposits, do not evaporate due to circumstances beyond the control of the member banks. It would be illogical to include FHLB advances within the definition of volatile liabilities given the stability of the FHLB system, the reliable availability of advances as a source of wholesale funding, and the beneficial and predictable effect of such funding on members' business plans.

Discouraging member bank borrowing from the FHLB would be counterproductive to reducing the risk of failure of FDIC-insured institutions and could increase risk. Borrowers frequently use FHLB advances for liquidity purposes and to manage interest-rate risk, as well as to fund loan growth. Curtailing the use of FHLB advances would force institutions to look to alternative, often more costly wholesale funding sources that are considerably more volatile – reducing profitability and increasing liquidity risk.

As you are aware, 10 percent of FHLB profits are dedicated to the Affordable Housing Program. In 2005, a total of \$280 million in AHP funds were awarded, funding hundreds of affordable housing units. If there is a decline in the income of the FHLB system, the Affordable Housing Program will be significantly curtailed.

I therefore respectfully request the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities. Thank you for your consideration.

Sincerely,

Jean A. Lowe  
President

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