BANK OF WISCONSIN DELLS

RECEIVED
SEP 25 2006
By 550

September 20, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429-0002

Attention: Comments

RE: FDIC Insurance Assessments/Federal Home Loan Bank Advances (RIN 3064-AD09)

Dear Mr. Feldman,

As Chairman and Chief Executive Officer of the Bank of Wisconsin Dells, I am writing about one major concern our bank has with regard to FDIC insurance assessments as it relates to the treatment of Federal Home Loan Bank advances. Specifically, we write to address FDIC's request for comment on whether FHLB advances should be included in the definition of volatile liabilities.

Our bank is located in a tourist destination. Loan demand is strong during the first half of the year and our core deposit growth does not occur until the summer months during the peak tourist season. Because cash flows and funding needs are seasonal with wide ranges of fluctuations, we use FHLB advances as a very reliable liquidity tool. As established by Congress, we believe one of the primary purposes of the FHLB system is to provide a source of liquidity for FHLB members. The FHLB's are a stable, reliable source of funds for us and our management system treats the availability of such credit as predictable with a beneficial effect on our business plans.

I do not believe that FHLB advances should be characterized as "volatile liabilities" for FHLB members. They are secured extensions of credit with pre-defined, understood, and predictable terms. Most importantly, unlike deposits, advances do not increase or decrease due to circumstances outside of our control. Core deposits can go down due to disintermediation or other reasons, such as alternative investments.

Deposit insurance premiums should be based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. Banks that are engaged in excessively risky activities should pay a higher premium, regardless of whether those activities are financed by insured deposits, FHLB advances, core deposits, or other alternative wholesale funding sources.

The continued availability of FHLB advances reduces the risk of failure of FDIC-insured banks. Charging a higher deposit insurance premium to financial institutions that use more advances could discourage borrowing from the FHLB's and lead to the unintended effect of increasing risks to FHLB members. The FDIC needs to look at how well the overall liquidity process is managed and how such advances are used within the overall interest-rate-risk process when funding loan growth. If our bank had to cut back on FHLB advances, we would either have to curtail lending at times or rely on other sources of wholesale funding, which could actually be volatile or more costly. This could reduce profitability or increase our liquidity risk. The current proposal would also hurt consumers by increasing the cost of funding mortgage portfolios. A reduction in mortgage borrowing might occur which would reduce income to the FHLB's. This in turn would reduce the funding available to the FHLB's Affordable Housing Program and other community investment programs.

Finally, penalizing the use of advances through the imposition of insurance premiums would conflict with the intent of Congress in establishing the FHLB's, in opening membership in FHLB's to commercial banks in FIRREA, and, more recently, in adopting the Gramm-Leach-Bliley Act, which expanded small banks' access to advances. We believe the FHLB's mission is to provide financial institutions with access to low-cost funding so they can help meet communities' credit needs to support homeownership and community development.

Thank you for listening to my comments. In closing, I urge the FDIC not to include FHLB advances in the definition of volatile liabilities or to impose a deposit insurance premium assessment on "secured liabilities."

Sincerely yours,

Gary L. Gilliland

Gary L. Gilliland
Chairman/CEO