Provident Bank

George Strayton
President
Chief Executive Officer

Provident Bank
400 Rella Boulevard
Montebello, NY 10901-4243
T 845.369.8040
F 845.369.8255
www.providentbanking.com

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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

Dear Mr. Feldman:

This letter is in regard to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for comment on deposit insurance assessments and specifically addresses 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.

I appreciate the opportunity to comment on this important matter and I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Since I am certain that FDIC has received many detailed letters in opposition to this action, let me just summarize a few salient points:

- Advances are not volatile liabilities for FHLBank members.

- Deposit insurance premiums should be based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. The professional and capable FDIC examination staff is better suited to determining a bank's risk profile than an inflexible formula imposed on all insured institutions, regardless of circumstance.

- Discouraging borrowing from the FHLBanks would be counterproductive to reducing the risk of failure of FDIC-insured institutions.

- Penalizing the use of advances through the imposition of insurance premiums would conflict with the intent of Congress in establishing the FHLBanks, in opening membership in FHLBanks to commercial banks in FIRREA, and, more recently, in adopting the Gramm-Leach-Bliley Act. Charging higher assessments to those banks utilizing advances would, in effect, use the regulatory process to vitiate the FHLBanks' mission as established and repeatedly reaffirmed by the Congress.

- During the pendency of FDIC reform legislation in the past several years, Congressional Committees and principal sponsors of FDIC reform expressed specific concerns that the FDIC, in developing a risk-based insurance assessment proposal, not adversely affect advances.

- Finally, a regulatory and legal structure is already in place to ensure collaboration between the FDIC and the FHLBanks.

The cooperative relationship between the FHLBanks and member financial institutions has worked remarkably well for 75 years. FHLBank advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow member banks throughout the nation to remain competitive. FHLBank membership has long been viewed as protection for deposit insurance funds because FHLBank members have access to guaranteed liquidity. Penalizing financial institutions for their cooperative relationship with the FHLBanks would result in their being less competitive, limit credit availability in the communities they serve, and limit their use of a valuable liquidity source.

I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Sincerely,