HORICON BANK

September 15, 2006

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

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances
RIN 3064-AD09

Dear Mr. Feldman:

We urge the Federal Deposit Insurance Corporation not to include Federal Home Loan Bank advances in the definition of "Volatile Liabilities" or to impose a deposit insurance premium assessment on "secured liabilities."

The term "Volatile Liabilities" is an arbitrary balance sheet measurement, and it should be used cautiously when determining FDIC assessments. FHLB advances should not be characterized as "Volatile Liabilities" for FHLB members because these advances are secured extensions of credit to members with pre-defined, understood, and predictable terms. Unlike deposits, advances liabilities, do not increase or decrease due to circumstances outside of the control of an FHLB member. Bank deposits may be lost due to disintermediation arising from a variety of factors: special, short-term promotions in a particular market or the existence of higher returns to depositors on alternative investments.

As established by Congress, the primary purpose of the FHLB System is to provide a source of liquidity for FHLB members. FHLB advances are a stable, reliable source of funds for member institutions, and the availability of such credit has a predictable, beneficial effect on members' business plans. It would be illogical to include FHLB advances in the dubious category of "Volatile Liabilities" given the stability of the FHLB's, the reliable availability of advances as a source of wholesale funding, and the beneficial and predictable effect of such funding on members' business plans.

The continued availability of FHLB advances reduces the risk of failure of FDIC-insured institutions. Curtailing the use of FHLB advances would force institutions to look to alternative, often more costly wholesale funding sources that are actually volatile, thereby reducing profitability and increasing liquidity risk.

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

Since, a regulatory and legal structure is already in place to ensure collaboration between the FDIC and the FHLB's. There is a safeguard to the FDIC fund to monitor an FDIC-insured institution is experiencing financial difficulties.

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FHLB membership has long been viewed as protection for deposit insurance funds because FHLB members have reliable access to liquidity. Penalizing financial institutions for their cooperative relationship with the FHLB's would unjustifiably limit their ability to offer competitive pricing, limit credit availability in the communities they serve, and limit the members' use of a valuable liquidity source.

Thank you for reading my letter.

Sincerely,

Frederick F. Schwertfeger
President