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September 15, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550 – 17th Street, N.W.
Washington, D.C. 29429

RE: Deposit insurance assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman,

I am writing regarding the Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments. Although as a Credit Union, we are not governed by the FDIC, historically, the National Credit Union Administration (NCUA) and their deposit insurance fund (NCUSIF) follow the rules promulgated by the FDIC. It is very likely, therefore, that this would effect credit unions as well. Specifically, I am referring to the proposal on whether Federal Home Loan Bank (FHLB) 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.

To characterize FHLB advances as volatile liabilities is very inaccurate. In many ways, these advances are more reliable and stable than deposits. They have well defined terms and are very predictable and available. They are a constant source of liquidity, unlike deposits which are much more fickle and driven by competitive market forces. Including these advances in the FDIC's definition of volatile liabilities or charging higher amounts for secured liabilities would pose a penalty to FHLB members regardless of their risk profile and is simply not good policy. There is no evidence that advances add to an institutions risk. If an institution is engaged in excessively risky activities, it should pay a higher assessment regardless of the source of funding for those activities.

Discouraging the use of FHLB advances would have the effect of removing a very valuable and stable funding source from institutions that have limited other options for reliable quick funding source to meet the loan needs of its borrowers. This source of low-cost funding is necessary for lenders to continue to meet the homeownership and community development needs of their communities.

Sincerely,

David E. Rossignol, CCE
Chief Executive Officer

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