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September 22, 2006

By ___

Mr Robert E Feldman
Executive Secretary
Federal Deposit Insurance Coroporation
550 Seventeenth Street, N W
Washington, D.C 20429

Attention· Comments

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

Dear Mr Feldman

The Benton State Bank is pleased to provide comments in response to the Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments Specifically, we write to address the FDIC's request for comment 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

We believe that the FHLB advances should not be characterized as "volatile liabilities" for FHLB members FHLB advances are secured extensions of credit to members with pre-defined, understood, and predictable terms Unlike deposits, these predictable liabilities do not increase or decrease due to circumstances outside the control of the FHLB member As a small, rural bank in southwest Wisconsin, FHLB advances have been a very stable method to provide loans to farmers These advances assure a longer interest rate lock and a reasonable and predictable spread (income) to the financial institution Our financial institution utilizes the FHLB advances as a method of "match funding" a borrowing term with a loan term By match funding, the bank greatly improves earnings, as well as the bank's interest rate risk position

Steven P. Malone
President & C E O

S. Kay Brink
Vice President

Dennis J. Deiter
Branch Manager

Stephen J. Winslow
Branch Manager

The continued availability of FHLB advances is also an important source of liquidity to FDIC insured institutions Curtailing the use of FHLB advances would force institutions such as mine to look to alternative, more costly wholesale funding sources that are actually volatile, thereby reducing profitability and increasing interest rate and liquidity risk

We urge the FDIC not to include FHLB advance in the definition of volatile liabilities or to impose a deposit insurance premium assessment on "secured liabilities" Such a move would have a significant negative impact on small financial institutions that utilized the FHLB programs to meet the needs of their customers

Sincerely,

Steven P Malone
President & CEO
Benton State Bank