Connecticut River Community Bank

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By 656

September 6, 2006

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

Dear Mr. Feldman:

Regarding the new FDIC's proposed regulations establishing a new risk based deposit insurance assessment system, I would like to offer the following comments relative to the possibility of including Federal Home Loan Bank advances under the definition of volatile liabilities, thereby increasing the assessment on the borrowing bank.

As a community bank, with a primary focus on commercial lending in our community, Connecticut River Community Bank relies primarily on core deposits to fund loans. There are times; however, when core deposits are available only in short maturities, while the commercial lending market may require loans that can be fixed from five to ten years, or longer. In order to appropriately match the interest rate sensitivity of our loans with the rate sensitivity of our sources of funds, advances from the Federal Home Loan Bank have been a very valuable tool.

While I do not consider Connecticut River Community Bank to be overly dependent on Federal Loan Home Bank advances, (our Bank is approximately at $100 million in total assets while total borrowings from the Federal Home Loan Bank is $10.6 million), virtually all the borrowings from the Federal Home Loan Bank are for the purpose of matching the rate sensitivity of our funding sources with the rate sensitivity of our loans. Every time we have borrowed from the Federal Home Loan Bank in the 5+ year maturity bucket, local deposits were either not available in the maturity that we needed, or the rate to attract deposits in the appropriate maturity was significantly higher than the borrowing rate from the Federal Home Loan Bank.

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I firmly believe that penalizing community banks for borrowing from the Federal Home Loan Bank would be a disservice to community banks throughout the country. It would make it more difficult to manage the community banks rate sensitivity, and would be at odds with the purpose of allowing the Federal Home Loan Bank to promote access to reasonable cost funding to community banks to support home ownership and financing for small businesses in their respective markets.

The FDIC, State Banking Department and other bank regulators are more than capable of assessing the risk of a bank without unilaterally declaring that borrowing from the Federal Home Loan Bank creates additional risk. Considered use of Federal Home Loan Bank borrowing allows banks to appropriately match rate sensitivity of the Banks assets and liabilities, thereby decreasing the risk from interest rate swings.

I hope the FDIC will not categorize FHLB borrowing by community banks as a "volatile" liability, as the availability of such borrowings, in maturities from 1 week to 20 years, is much more of a certainty than the availability of local deposits.

Sincerely,

William R. Attridge
President/CEO