Danversbank

www.danversbank.com

OCT 0 3 2006

By 658

September 27, 2006

Mr Robert Feldman
Executive Secretary
Attention: Comments, Federal Deposit Insurance Corporation
550-17th Street, NW
Washington, DC 29429

RE: Deposit insurance assessments and Federal Home Loan Bank advances

Dear Mr. Feldman:

This letter is in response to the Federal Deposit Insurance Corporations' (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments. In particular, we would like to 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 maintain these types of secured liabilities

To include FHLB advances within the scope of volatile liabilities would be in our minds a misrepresentation of what they are which is a stable, cost effective and economically reasonable funding alternative especially for community banking institutions such as ours. As such, FHLB funding and the Federal Home Loan Banks themselves have become an important partner in meeting the credit demands of the communities we serve. Unlike many larger institutions, who are likely to have access to a number of other large wholesale funding sources, we are limited to a somewhat narrower range of funding alternatives and to amplify the risk profile of advances, especially many of the basic term borrowing structures, just does not seem warranted.

Advances and their associated contracts are typically simple to execute easy to quantify. Many years of field examinations and external audits confirm these observations. We have yet to see any empirical evidence to suggest that these advances elevate an individual institution's risk profile or that collectively FHLB advances are destabilizing our industry Given the current state of the deposit markets, including the difficulty in attracting and maintaining core deposit balances and the willingness of depositors to request market driven "rate relief" on any and all of their accounts, any initiative that severely restricts the use of FHLB advances (and we believe that this proposal would do just that) would likely lead to a subsequent "credit squeeze" for many community institutions and their prospective borrowing clients.

Curtailing the use of FHLB advances is likely to lead to a reliance on costlier and/or more volatile sources of funding or may force a number of institutions to effectively deleverage their Balance Sheets until deposit balances become available again. In the interim, the effects would likely be felt by the communities and initiatives that very many of us in the community banking segment have spent a considerable amount of time and resources trying to serve and preserve.

Sincerely,

L. Mark Panella
Chief Financial Officer
Danversbank