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September 19, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 29429

Attention: Comments, Federal Deposit Insurance Corporation (FDIC)

Re: **Inclusion of Federal Home Loan Bank (FHLB) Advances in the definition of Volatile Liabilities.**

Dear Mr. Feldman:

On behalf of BankAtlantic, I am responding to the FDIC notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, I am addressing the FDIC's request for comment on whether FHLB advances should be included in the definition of volatile liabilities or, alternatively, whether higher assessment rates should be charged to institutions using the FHLB System to provide funding and liquidity.

BankAtlantic does not believe advances are volatile liabilities. FHLB advances have pre-defined, understood, and predictable terms, which are controllable. Experience has shown that deposits need to be supplemented with alternative funding sources to meet loan growth opportunities and seasonal deposit trends. The primary purpose of the FHLB System is to provide a source of long-term liquidity to its membership. Currently and throughout its history, the FHLB has performed this mission successfully. The FHLB is a stable, reliable source of funds for member institutions, and the availability of such credit has a predictable effect on members' liquidity plans. Given the value of such a stable source of funding, it is not surprising that more than eighty-two hundred financial institutions are members of the FHLB System.

Additionally, the cooperative relationship between the FHLB's and member financial institutions has worked remarkably well. FHLB advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow member banks throughout the nation to remain competitive. FHLB membership has long been viewed as protection for deposit insurance funds because FHLB members have access to guaranteed liquidity.

7 days a week.

Penalizing financial institutions for their cooperative relationship with the FHLB's would result in their being less competitive, limit credit availability in the communities they serve, and limit their use of a valuable liquidity source, all for no justifiable economic or public policy reason. Deposit insurance premiums should be based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. Banks that are engaged in excessively risky activities should pay a higher premium, regardless of whether those activities are financed by insured deposits, FHLB advances, or alternative wholesale funding sources. Your professional examination staff is better suited to determining an institution's risk profile than an inflexible formula imposed on all insured institutions, regardless of circumstance. Discouraging borrowing from the FHLB's would be counterproductive to the goal of reducing bank risk. In fact, discouraging the use of FHLB advances could lead to increased risks to FHLB members. Borrowers frequently use FHLB advances for liquidity purposes and to manage interest-rate risk, as well as to fund loan growth.

In many markets, the supply of deposit funds is inadequate to meet loan demand and prudent financial management needs. Curtailing the use of FHLB advances would force institutions to look to alternative, often more costly wholesale funding sources that are demonstrably more volatile, thereby reducing profitability and increasing liquidity risk.

Penalizing the use of advances through the imposition of insurance premiums also would conflict with the intent of Congress in establishing the FHLB's, in opening membership in FHLB's to commercial banks in FIRREA, and, more recently, in adopting the Gramm-Leach-Bliley Act, which expanded small banks' access to advances. The FHLB's' mission is to provide financial institutions with access to low-cost funding so they may adequately meet communities' credit needs to support homeownership and community development. Charging higher assessments to those banks utilizing advances would, in effect, use the regulatory process to degrade the FHLB's' mission as established and repeatedly reaffirmed by the Congress.

Therefore, BankAtlantic believes that it would be illogical to include FHLB advances in the definition of volatile liabilities given the long-term stability of the FHLB, the reliable availability of advances as a source of wholesale funding, and the beneficial effect of such funding on liquidity plans. I urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Sincerely,

Lewis Sarrica

Lewis Sarrica
Executive Vice President &
Chief Investment Officer