CITIZENS STATE BANK

RIGHT BANK. RIGHT NOW!

September 13, 2006

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

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

Dear Mr. Feldman:

Citizens State Bank would present several comments in response to the FDIC notice of proposed rulemaking. Specifically we want to comment on the proposed assessment of higher FDIC insurance assessment rates to institutions that utilize any amount of "volatile liabilities" as defined in the proposed rule and the inclusion of liabilities such as Federal Home Loan Bank advances and brokered C/D's as volatile liabilities.

Our institution is a small community bank that serves a number of small communities in western Wisconsin. Our deposit generation ability is limited to whatever the local markets have available. This availability will be determined by demographics, employment opportunities, health of the local business climate and local government. A sudden shift in these factors or a local natural disaster such as tornados or floods can devastate the financial health of a local community which will have significant impact on the deposits of the local bank. A local bank making loans in these limited markets often have difficulty managing interest rate risk effectively if the deposit and loan needs of the community do not produce a match funded balance sheet.

We have utilized brokered C/D's and Federal Home Loan Bank advances effectively for many years to help us manage interest rate risk and liquidity, diversify our deposit sources and continue to meet the credit needs of our market when local deposit sources are insufficient. We also believe these funding sources provide reduced security risk given the widespread fraud attacks on our traditional consumer banking accounts and the security risks involved in managing consumer account information. We are appalled at the concept that prudent use of these tools will be viewed by regulators as increasing our risk profile. We recognize that these tools can and are likely abused by some institutions to their detriment. However, that is not likely the situation with the majority of banks utilizing them.

We would ask the FDIC to re-consider this portion of the proposed rule and instead issue strong guidance for financial institutions utilizing "volatile liabilities". At a minimum the proposed assessment rate formula should be amended to allow a reasonable floor of up to 20 to 25% below which no contribution to the insurance assessment rate would be added. That action would more accurately address the reality of the overall risks in the industry and the needs of community banks.

We strongly believe that penalizing banks for the prudent use of these liabilities is counter productive to the overall goal of reducing the risk profile of the banking industry. These funding sources, when used prudently by bank managers, do provide effective risk management tools.

We appreciate your consideration of our comments and the opportunity to provide input on the rule making process.

Sincerely,

Gary Senn

Gary Senn
Chief Financial Officer