Fidelity BANK

September 13, 2006

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

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances, Federal Deposit Insurance Corporation (FDIC), RIN 3064-AD09

Dear Mr. Feldman,

Fidelity Bank appreciates the opportunity to comment on the July 24, 2006 FDIC notice of proposed rulemaking and request for comment regarding risk-based deposit insurance assessments. We are particularly concerned about the question that addresses whether Federal Home Loan Bank (Bank) 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.

Fidelity Bank is committed to serving the home-buying customer in communities surrounding Wichita and Oklahoma City. We routinely experience loan demand that exceeds those markets' ability to finance such demand with deposit-based funding. Therefore, Bank advances are an integral piece of our operating strategy, and we rely heavily on them to fund our home mortgage lending activity. We do not believe that advances are volatile liabilities for us. Advances offer pre-defined, understood, and predictable terms and as such are very manageable and controllable. Experience has shown that deposits may be lost due to disintermediation arising from a variety of factors such as special promotions in a particular market or the existence of higher returns to depositors on alternative assets. While we are fortunate to have access to Wall Street's capital markets as an alternative funding source, Bank advances are typically cheaper and much more efficient as relating to the collateral requirements of each.

The primary purpose of the FHLBank System is to provide a source of long-term liquidity for Bank members. We have found that our Bank, the FHLBank Topeka, is a stable, reliable source of funds, and the availability of such credit has a predictable, beneficial effect on our operating strategy. It would seem illogical to include FHLBank advances in the definition of volatile liabilities given the stability of the FHLBanks, the reliable availability of advances as a source of wholesale funding, and the beneficial and predictable effect of such funding. Therefore, we urge the FDIC not to include Bank advances in the definition of volatile liabilities.

100 East English • P.O. Box 1007 • Wichita, Kansas 67201-1007 • 800-658-1637 • 316-265-2261 • www.fidelitybank.com

We believe that a more effective approach to premium assessment would be deposit insurance premiums that are based on an institution's actual risk profile, taking into account an institution's supervisory rating and capital ratios. Banks engaged in excessively risky activities certainly should pay a higher premium, regardless of whether those activities are financed by insured deposits, FHLBank advances, or alternative wholesale funding sources. FDIC examinations will more accurately determine a bank's risk profile than an inflexible assessment formula imposed on all insured institutions.

Measures that would discourage borrowing from the FHLBanks would impede rather than assist in achieving the goal of reducing the risk of failure of FDIC-insured institutions. In fact, discouraging the use of FHLBank advances could lead to the unintended consequence of *increasing* risk to our bank. We use FHLBank advances for liquidity purposes and to manage interest rate risk, as well as to fund loan growth. At times the supply of deposit funds is inadequate to meet loan demand and prudent financial management needs. Curtailing the use of FHLBank advances would force our institution to look to alternative wholesale funding sources that are demonstrably more volatile and often more costly, 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 FHLBanks, in extending membership in the System to commercial banks under FIRREA, and in adopting the Gramm-Leach-Bliley Act, which expanded small banks' access to advances. The FHLBanks' primary mission and mandate 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 vitiate the FHLBanks' mission as established and repeatedly reaffirmed by Congress.

In conclusion, FHLBank advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow community banks throughout the nation to remain competitive. FHLBank membership has long been viewed as protection for deposit insurance funds because FHLBank members have reliable access to liquidity. Penalizing financial institutions for their cooperative relationship with the FHLBanks would result in community banks being less competitive, would limit credit availability in the communities they serve, and would limit their use of a valuable liquidity source, all for no justifiable economic or public policy reason. Therefore, we urge the FDIC not to include FHLBank advances in the definition of volatile liabilities or to charge higher assessment rates to institutions that have significant amounts of secured liabilities.

Sincerely,

Bruce W. Wilgers EVP/CFO
Fidelity Bank

cc: Sam Brownback
Pat Roberts
Todd Tiahrt