

From: Zissimos Frangopoulos [mailto:zissf@ChristianaBank.com]

Sent: Tuesday, September 19, 2006 4:57 PM

To: Comments

Subject: RIN number 3064-AD09 (Deposit Insurance Assessments and Federal Home Loan Bank Advances)

Importance: High

Gentlemen,

We are pleased to respond to the Federal Deposit Insurance Corporation notice of proposed rulemaking 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 have significant amounts of secured liabilities.

We believe that the proposed rule should not be adopted for the following reasons:

- FHLB advances are not volatile liabilities of member banks. They are readily available under pre-defined, predictable terms. In contrast, availability of local deposits can be uncertain and terms and costs can be adversely affected by conditions in the particular market or the availability of higher returns to depositors on alternative assets.
- Deposit insurance premiums should be based, as they currently are, on an institution's risk profile as reflected in supervisory ratings. Institutions engaged in excessively risky activities should pay higher premiums regardless of how those activities are financed (by insured deposits, FHLB advances or other wholesale funding).
- Discouraging the use of FHLB borrowings would force institutions to look to alternative, often more costly and less flexible, wholesale funding and reduce profitability, reduce the ability to manage interest rate risk and increase liquidity risk.

In summary, the proposed rule would penalize FHLB members for using FHLB advances by limiting the use of a valuable liquidity source, and through the reduction in sources of liquidity and increased funding cost would make us less competitive, and therefore should not be adopted.

We appreciate the opportunity to comment on this important matter.

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