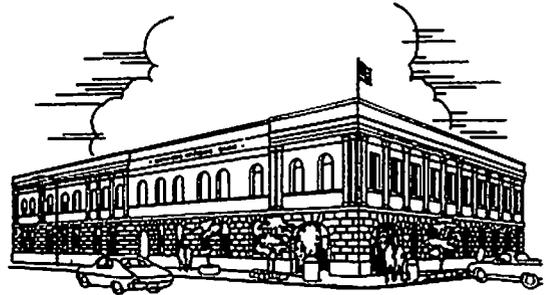


# THE BARABOO NATIONAL BANK

(608) 356-7703

BUILDING  
WITH BARABOO  
SINCE 1857



101 3RD AVENUE • P.O. BOX 50 • BARABOO, WI 53913

September 14, 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  
RIN 3064-AD09**

Dear Mr. Feldman:

The Baraboo National Bank is pleased to provide comments in response to the Federal Deposit Insurance Corporation notice of proposed rulemaking and request for comment on deposit insurance assessments. Specifically, we write to address the FDIC's request for 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 have significant amounts of secured liabilities.

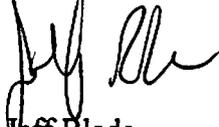
We believe that FHLB advances should not be characterized as "volatile liabilities" for FHLB members. FHLB advances are secured extensions of credit to members with pre-defined, understood, and predictable terms. Unlike deposits, advance liabilities do not increase or decrease due to circumstances outside of the control of an FHLB member. Experience has shown that deposits may be lost due to disintermediation arising from a variety of factors: special, short-term promotions in a particular market or the existence of higher returns to depositors on alternative investments. While certain large institutions can look to the Wall Street capital markets for replacement liabilities, the capital markets are not typically long-term, stable providers of wholesale funds to the community banks that comprise the bulk of the membership of the Federal Home Loan Bank System.

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In addition, the proposal would hurt consumers by increasing the cost of funding mortgage portfolios. Making FHLB advances more costly would likely result in the reduction of borrowing and thus income to the FHLB's. This, in turn, would reduce the funding available to the FHLBs' Affordable Housing Program and other community investment programs. In 2005, the FHLB's provided \$280 million in direct grants for affordable housing across the nation.

We urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities or to impose a deposit insurance premium assessment on "secured liabilities."

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Blada", written over a faint, illegible typed name.

Jeff Blada  
Executive Vice President  
The Baraboo National Bank