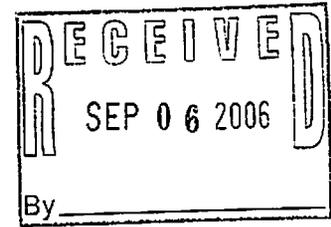




Northpointe Bank



August 24, 2006

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

Re: Request for Comment – Deposit Insurance Assessments on FHLBank Advances (RIN 3064-AD09)

Dear Mr. Feldman:

I am the President and CEO of Northpointe Bank, a \$323 million community bank located in Grand Rapids, Michigan. I am writing this letter in response to the FDIC's proposed notice of rulemaking regarding higher assessment rates for Federal Home Loan Bank (FHLBank) advances.

Northpointe Bank is primarily a residential mortgage lender that extends mortgage loans to customers in Michigan, Indiana, Ohio, Kentucky, and Tennessee. In carrying out our housing finance mission, we routinely and reliably borrow from the Federal Home Loan Bank of Indianapolis (FHLBI) in order to meet our liquidity needs in all market conditions. We also use the FHLBI to fund our housing and community development lending when supplemental deposits are unavailable at reasonable rates.

Northpointe Bank has used FHLBI advances for many years. Based on that track record, FHLBank advances are not volatile liabilities for FHLBank members. On the contrary, FHLBank advances have pre-defined, understood, and predictable terms. While bank deposits may be lost due to disintermediation arising from a variety of factors, FHLBank advances do not evaporate due to circumstances outside the control of an FHLBank member. Large banks can undoubtedly look to Wall Street for replacement liabilities, but for community banks such as Northpointe Bank, the capital markets have not functioned well as long-term, stable providers of wholesale funds. Therefore, the FDIC should not disadvantage small and mid-size banks with higher FDIC premiums simply because they lack capital market access.

Throughout Northpointe Bank's history, the FHLBI has been a stable and reliable source of funds, and the availability of such credit has had a predictable and beneficial effect on Northpointe's business plans. It would be 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 effects of such funding for member banks such as Northpointe.

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 or stable FHLBank advances. An individual bank's risk profile should be determined by the FDIC's examination staff rather than by an inflexible formula that is imposed on all insured institutions, regardless of circumstance.

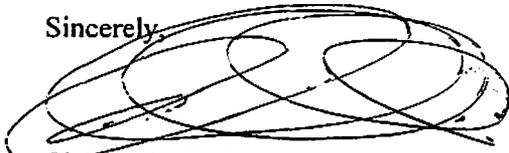
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In Northpointe Bank's market area, the supply of deposit funds is often inadequate to meet loan demand and prudent financial management needs. Therefore, FHLBI advances are frequently used for liquidity purposes as a lower cost alternative to deposits to fund our loan growth. Curtailing the use of FHLBank advances would force us to look to alternative, and often more costly, wholesale funding sources that are demonstrably more volatile, thereby reducing profitability and increasing liquidity risk.

In summary, FHLBank advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow Northpointe Bank to remain competitive. FHLBank membership has long been viewed as protection for deposit insurance funds by providing FHLBank members alternative access to low-cost liquidity during all economic cycles. Penalizing Northpointe for its cooperative relationship with the FHLBI would result in the Bank being less competitive, limit credit availability in the communities we serve, and limit our use of a valuable liquidity source. I therefore urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities.

Thank you for the opportunity to submit comments on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Charles A. Williams', is written over a large, circular, scribbled-out area.

Charles A. Williams
President & CEO