



September 21, 2006

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

Attention: Comments RIN No. 3064-AD09

Dear Mr. Feldman:

I write with regard to the Federal Deposit Insurance Corporation (FDIC) notice of proposed rulemaking and request for comment on deposit insurance assessments – in particular 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.

Select Milwaukee, Inc., is a nonprofit organization that provides education and counsel to modest-income home seekers in Milwaukee, Wisc. Our concerns regarding the inclusion of FHLB advances in the proposed rule stem from the very real potential that if implemented it will reduce the profitability of the Federal Home Loan Bank System as a whole, reducing the overall contributions to the Affordable Housing Program (AHP), without serving any necessary public purpose goal. In cooperation with several Milwaukee-based members of the Chicago FHLB, annually scores of Select Milwaukee home buyers utilize AHP subsidy to achieve affordable homeownership. A decline in the income of the FHLB will significantly curtail the Affordable Housing Program and frustrate FHLB members' efforts to meet credit needs in the Milwaukee community. Indeed, any reduction in available AHP subsidies as a result of the proposed rule would serve to exacerbate the growing housing affordability gap in Milwaukee, likely denying many of our low-income hardworking customers opportunities for long-term successful homeownership.

Advances are not volatile liabilities for FHLB members. FHLB advances have pre-defined, understood, and predictable terms. FHLB advances serve as a critical source of credit for housing and community development purposes, support sound financial management practices, and allow member banks throughout the nation to remain competitive. Penalizing financial institutions for their cooperative relationship with the FHLBs would result in their being less competitive, limit credit availability in the communities they serve, and limit their use of a valuable liquidity source, all for no justifiable economic or public policy reason.

Finally, including FHLB advances in the proposed rule would conflict with the intent of Congress in establishing the FHLBs. The FHLB's mission 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 undermine the FHLB's mission as established and repeatedly reaffirmed by the Congress.

On behalf of Select Milwaukee, I respectfully urge the FDIC not to include Federal Home Loan Bank advances in the definition of volatile liabilities. Thank you for your consideration.

Sincerely,

Raymond Schmidt
Executive Director