



**Columbia County
Farmers National Bank**
Bankers, neighbors and friends

September 19, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 29429

Attention: Comments

Re: Deposit Insurance Assessments and Federal Home Loan Bank Advances

Dear Mr. Feldman:

I am writing regarding the Federal Deposit Insurance Corporation's recent proposal regarding the classification of Federal Home Loan Bank advances as volatile liabilities. As a community banker, a member of the Board of Directors of the Federal Home Loan Bank of Pittsburgh and the former President of the Pennsylvania Association of Community Bankers I write to oppose this proposal. Such a change in FDIC policy would undermine the ability for smaller banks to compete, would reduce competition for consumers and unfairly penalize institutions that have long relied on FHLBank advances as a secondary source of liquidity.

FHLBank advances are not volatile in any way. Unlike true volatile liabilities, including brokered deposits, they are predictable with set rates and terms. Advances will not fluctuate when market forces or consumer habits change.

FHLBanks themselves are a critical part of our banking system. Created by Congress in 1932, they have been the benchmark for stability, surviving economic changes throughout almost seventy-five years of existence. Their cooperative structure, joint and several liability and conservative business models ensure the future availability of advance products for their over 8,000 members.

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Discouraging banks like ours from borrowing from FHLBanks would be counterproductive for the FDIC. FHLBank advances ensure available, cost-effective liquidity, manage interest-rate risk, as well as fund loan growth. Penalizing advance could force institutions to look for other, alternative sources that are not as dependable and are far more volatile than the FHLBanks. This would result in fewer loans, reduced profits and higher risk for both financial institutions and the FDIC.

Sincerely,

Paul E. Reichart
Chairman of the Board