State Bank
OF SOUTHERN UTAH

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August 30, 2006

Federal Deposit Insurance Corporation
Robert E. Feldman, Executive Secretary
Attn: Comments, Federal Deposit Insurance Corp.
550 17th Street, NW
Washington, DC 20429

RE: 12CFR Part 327
Deposit Insurance Assessments
RIN 3064-AD09

Dear Sirs or Madam:

Thank you for the opportunity to comment on the proposed Deposit Insurance Assessment Rule RIN 3064-AD09. First, I concur in large part with the proposed reduction in the number of risk categories from nine to four, although Risk Category I is somewhat large and nebulous and I would recommend a Subcategory I-A and I-B. Subcategory I-B would be when an institution moved above a score of Sum of Contributions of 3.25 or appropriate predetermined sum. This would be a "warning track" or "pre-notice" that they are moving toward Category II ranking if corrective action is not taken. Subcategory I-A would be all other banks in that Category I. They logically would be well within the range of Sum Of Contributions to remain a Category I Bank.

Using CAMEL Components causes some concern because of the human factor that enters in across a broad spectrum of banks over several regulatory agencies operating in vastly different economies and parts of the United States. However, since it is only one of seven components and banks need the discipline of regulator oversight, I can live with this component if institutions maintain the right to appeal what they consider an unfair or unjust rating. It is very important that exams stay on the 12 to 18 month exam cycle so that improvements can be recognized quickly.

In Category I, three of the financial ratios for assessment rates are related to delinquent and non-performing loans. I suggest changing loans past due to a 60 or 90 days to gross assets. Often 30 day delinquencies are cured and do not relate to risk as do 60 or 90 day past due loans. Past due loans and non-performing loans correlate and I suggest one measurement of these two is all that need be included. If one cannot be excluded, then make the measurement over 90 day delinquencies to assets.

My final comment is on Risk Categories II, III and IV. If a bank slips to Category II it would be highly motivated to improve because it is paying 5 basis points more than Category I. Those banks should be given opportunity to show quick improvement. Category III is an impossible position to be in. A four rated bank would be paying 21 to 23 basis points more than its peers. Our bank was a four rated bank in the mid 1980's. We were well capitalized but our earnings were poor for several years and delinquencies and charge off's were high from 1985 to 1988. If we had been punished by high FDIC premiums during our crisis we may not have survived. Of course, many other banks were close to our condition and during some of those years we did pay substantial premiums. I believe some provision for lower premiums should be made for banks that augment and maintain strong capital, maintain adequate reserve for loss on loans and have a plan for recovery approved by the FDIC. Once these things are done premiums should be reduced or the bank should be upgraded to Category II. If the FDIC does not make provisions for relief if stockholders and directors raise capital, what motivation will they have to raise capital and lower risk to the fund?

This regulation will have a profound effect on bankers across the United States. I hope you will use the comments you receive by bankers and their trade groups.

Sincerely,

Ron Heaton

Ronald W. Heaton
President and CEO