From: Mike Jacobson [mailto:nlnbmjacobson@nque.com]
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To: Comments
Subject: RIN 3064-AD09 Assessments

Thank you for the opportunity to comment on this important matter. I have read the proposed rule and would offer the following comments. Our banks are subsidiaries of NebraskaLand Financial Services, Inc. a two bank holding company. NebraskaLand National Bank (NLNB) was charter on May 14, 1998 and Commerce Bank of Wyoming, National Association (CBW) was charter on May 22, 2006. Both banks were chartered after 1997 and therefore have no deposit insurance "credits" to be used to offset future premiums. Both banks are National Banks that are regulated by the Office of the Comptroller of the Currency (OCC). The two banks share management staff and the two boards have adopted very similar operating policies. NLNB has always performed well above it's peers as evidenced by historical asset quality and management ratings. However, because NLNB was a new charter in 1998, the OCC has always taken into consideration the age of the bank when assigning the composite CAMELS rating. Additionally, the OCC has set the bar much higher for National Banks than the State Department of Banking has set for similar sized State Chartered Banks (This is evidenced by the number of National Banks in Nebraska operating under a "Memorandum of Understanding" (MOU) in 2005 that eliminated the MOU by converting to a State Chartered Bank). Seven Nebraska banks converted from a National charter to a State charter in 2005 alone and several more are in the process of converting now. Consequently, National Banks that are less than 7-years old will be faced with several handicaps. First, they likely will not be awarded a "1" CAMELS rating due to their age. This could then move them into a higher FDIC premium category. Second, the proposed rule issued by the FDIC will require that they be charged a premium that is equal to the "maximum" premium charged for that category. And third, they will have no "credits" so they will be required to pay the full premium. This will undoubtedly place a much heavier burden on any bank less than 7-years old but will place an especially heavy burden on new National Banks.

Many new charters find themselves needing to balance asset growth with the use of either brokered deposits or Federal Home Loan Bank (FHLB) advances. My experience with both funding sources has shown that these funding sources are far less volatile than many so called "core" deposits. In the case of FHLB advances and brokered deposits, early withdrawal risk is eliminated since these funding sources do not allow for early calls except in the case of FHLB advances where the call is at the option of the bank requesting hte advance. Because of this, banks are able to very effectively predict maturities and refunding needs. The cost of these funding sources are very closely correlated to "LIBOR". As many banks found over the past few years, the Federal Reserve reduced the discount rate to as low as 1% which reduced the National Prime Rate to 4%. With rates that low, many bank's "core" deposits hit a "pricing floor" because their depositors were simply unwilling to accept rates at these levels. However, FHLB advances and brokered deposits both were available at lower rates than the bank's core deposit levels. For this reason, I believe that the time has come for the Federal Regulators to reassess their view of "noncore" funding sources, and instead place a higher emphasis on determining through the examination process, the individual understanding and documentation established by the insured institutions themselves.

In closing, I hope that you will consider the significant burden that will be placed on new banks (especially National Banks) if changes are not made in the proposed new rule. Although I do agree it is appropriate to provide credits to those banks that have paid into the FDIC insurance fund when premiums were charged, I believe that these credits should be spread over a longer period of time. I would suggest that allowing a 25-50% discount on future premiums until all credits are used, would lighten the burden to thos e banks chartered after 1997. I also would suggest that the designation of "DeNovo" bank should be eliminated after 5-years of operation rather than the proposed 7-years and they should be treated the same as their older counterparts when setting premiums levels as opposed to the proposal that they be automatically place at the highest premium level. And finally, if CAMELS ratings are to be used, some method of leveling the playing field should be used to avoid discrimination between charter classes.

Thank you for allowing me to submit these comments.

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