From: Jorett, Debbi [mailto:djorett@buckscountybank.net]
Sent: Monday, September 18, 2006 4:05 PM
To: Comments
Subject: Comments on Risk-Based Assessment Proposal

Dear Mr. Feldman,

The Federal Deposit Insurance Corporation (FDIC) has issued a Notice of Proposed Rulemaking to amend its regulations on risk-based assessments by creating a new risk scoring system for banks that are well capitalized and well managed. I am particularly concerned about one aspect of the proposal: assignment of all banks that are in their first seven years of operation ("de novo" Banks) to the top risk rating within the category of well capitalized and well managed banks. I disagree with this provision because it fails to consider the scrutiny of de novo banks by examiners, which I believe to be in much more depth and detail than banks in existence for more than seven years.

My bank, Bucks County Bank, was chartered in 2004. We deserve to be rated based on our performance, rather than a categorization that is out of our control.

De novo banks like ours do not warrant separate treatment by the FDIC. The FDIC risk rating system stipulates that a bank with strong capital, a healthy loan portfolio, few volatile liabilities, decent earnings, and a good examiner rating warrants a lower premium. I agree, and my bank is prepared to be judged by this test. To arbitrarily ignore the system's results based on a bank's age is wrong.

The proposal defends ignoring the financial performance of de novo banks by stating that "financial information for new institutions tends to be harder to interpret and less meaningful" (41927). On the contrary, we are examined more frequently and the examiners have a much better knowledge of de novo bank's than they have of larger banks.

I believe the FDIC should encourage safe and sound bank operations by rewarding good management practice with lower premiums, regardless of the age of the bank.

The proposal defends disparate treatment for de novo banks by citing past data that "new institutions have a higher failure rate than established institutions" (page 41927). This evidence is out of date and does not relate to today's de novo banks. Many of the de novo banks were chartered by experienced bankers in markets where they had operated for years, bankers who became available following acquisitions of their former institutions. I do not know of a failed de novo bank in Bucks County that has cost the FDIC money since the mid 1980's. On the contrary, numerous banks and savings institutions were liquidated in the late 80's and early 90's.

Finally, if the FDIC indicates to the public that they feel de novo banks are less safe than banks in existence longer than seven years, then confidence in new banks will be unfairly undermined. Enhanced regulatory scrutiny, requirement for complying with non productive legislation as it pertains to BSA and Privacy legislation already add audit and employee expenses which hamper profitability and productivity of the de novo bank. Requiring de novo banks regardless of the rating of a II or better to pay higher premiums is unfair and in my mind there is no justification for this proposal.

Thank you for the opportunity to provide input on this issue.

Very truly yours,
John D. Harding