Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation

Dear Mr. Feldman:

VISIONBank is a new institution which was chartered on December 31, 2004. We are one of two de novo banks that have been formed in the state of North Dakota in the last 25 years.

VISIONBank is pleased to comment on the proposed rule regarding the Federal Deposit Insurance Reform Act of 2005 (Reform Act). While we support many of the Reform Act's proposed changes, we disagree with the proposed provisions regarding new institutions. Our reasoning behind our dissension is detailed below.

Under the current proposal the intention is to assess all *new* well-capitalized, well-managed institutions, regardless of size, at the maximum rate applicable to Risk Category I. Treating all de novo institutions the same contradicts the Federal Deposit Insurance Corporation's (FDIC) and other federal banking agencies' approach to evaluating and assessing risk. In both examining financial institutions and in analyzing the capabilities of bank management, a risk-based approach is commonly used. Risk-based examining and bank management assessments are a sound practice, as it allocates resources where they are most needed. It seems inconsistent and highly inequitable to consider all de novo institutions as having the same level of risk, and further perceived to have more risk than other institutions in Risk Category I in determining deposit insurance assessments. While a de novo institution may have more risk than an established institution; this fact, if applicable, would be highlighted in examination results in the form of CAMELS ratings. Further, de novo institutions are held to a higher standard inasmuch as they: (1) are required to have initial capital ratios higher than normal institutions, (2) are required to engage an independent public accounting firm to perform an audit of the institution's financial statements, (3) are subjected to rigorous regulatory approval on various issues, and (4) are subject to more frequent regulatory examinations. While most of these additional restrictions are present during the first three years of a newly formed bank's operations, it is our belief that an institution's primary regulator would impose continuing restrictions and further supervision if it was deemed necessary. These high standards are prudent practices, but are presumably placed on an institution to reduce the risk present in newly chartered institutions.

VISIONBank has had several visitations by the FDIC since its initial charter in 2004 including a visitation in the initial twelve months, a full Safety and Soundness Examination, and a Compliance Examination. In all of these examinations, the bank has received strong ratings and was commended on its strong risk management practices in the Safety and Soundness Exam which was concluded in the December of 2005 and we received very positive and exceptionally high marks for management and asset quality. Our senior management team has over 70 years of combined banking experience and our

Board is made up of two outside directors who are also on management teams of other banks.

It is our opinion that it is highly inequitable and unfair to assess a well-capitalized, well-managed de novo bank at a higher maximum assessment simply based on the premise that it does not have a seven year operating history. It can be stated that a well-managed and well-capitalized de novo institution poses less risk than other institutions in any given category. We were informed by our regulatory body that our compliance systems and audit procedures were better than most large and established institutions.

Just as the proposed rulemaking states "no insured depository institution shall be barred from the lowest-risk category solely because of size", the mere fact that a de novo institution has had less time to prove its worth should not preclude that institution from being assessed at the minimum assessment rate in Risk Category I if supported by the determining factors as set forth in the proposal and the suggestions we have made in this commentary. While we understand that de novo institutions in general may pose more risk than established institutions, examiners in general consider the relative issues of a newly formed institution in determining the present and potential risks. The risk management practices and the financial soundness of a financial institution will be measured and subsequent ratings assigned to determine the risk differentiation of newly formed de novo institutions from that of established institutions.

To **generalize** is to **penalize** strong and high performing de novo financial institutions.

We thank you for your consideration of our comments on the proposed revisions to the insurance assessment system and hope they will assist in reconsideration of the Reform Act as its provisions relate to newly formed institutions.

Respectfully,

Dan M. Carey
President

Kelli Simonson
Compliance/Operations Officer