B E N C H M A R K

B A N K

September 22, 2006

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

Re: RIN 3064-AD09; Proposal to Amend Regulations for Risk-Based Premium;
71 Federal Register 41910; July 24, 2006

Dear Mr. Feldman:

Benchmark Bank is pleased to comment upon the above referenced proposed rules. 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. While Benchmark Bank wholeheartedly agrees with the effort to build a strong and sound deposit insurance system, I am particularly concerned about one aspect of the proposal: the assignment of all banks that are in their first seven years of operation 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, the high level of capital most de novo banks maintain, and further could have adverse consequences on newer institutions that could severely impact their financial performance.

Benchmark Bank was formed and chartered on August 1, 2005. Our employees pride themselves of delivering quality service to our customers in the community while also maintaining sound business practices. I consider our bank to be well capitalized and our bank has received a very high CAMELS rating from the FDIC in our recent examination. The FDIC risk rating system stipulates that a bank with strong capital, a healthy loan portfolio, few volatile liabilities, decent earnings, and good examiner ratings warrants lower premiums. I couldn't agree more and believe my bank, as well as all banks, should be prepared to be judged by this test. To arbitrarily ignore the FDIC examiners' results and place all de novo banks in the same risk rating category regardless of performance does not reward or encourage safe and sound bank operations by a bank's management.

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The FDIC proposal defends disparate treatment for de novo banks by citing past data that "on average, new institutions have a higher failure rate than established institutions" (page 41927). While the data from this study was from the 1980's (footnote #74), many of today's de novo banks are chartered by experienced bankers in markets where they have operated for years. Many of these de novo banks' principals started due to their former institution being acquired by larger regional banks. Since the de novo banks have experienced, well-known officers, this gives today's de novo banks a much better opportunity to achieve profitability quicker and mature faster than those in the 1970's and 1980's. In fact, the American Banker Association states over 900 banks have been chartered in the last seven years and not one of them has failed.

While I believe all banks should share in the restoration of the FDIC insurance to acceptable levels, the insurance premium assessments should be fairly based upon the risk to the fund which should be determined by the FDIC examination results of each institution regardless of the age of a bank.

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

Respectfully,

Jeffrey C. Kessler
President and COO
Benchmark Bank