NEW JERSEY LEAGUE OF COMMUNITY BANKERS

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September 22, 2006

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

Re: Deposit Insurance Assessments Proposal - RIN 3064-AD09

Dear Mr. Feldman:

The New Jersey League of Community Bankers ("League") appreciates the opportunity to comment on the Deposit Insurance Assessments proposal and applauds the agency's efforts to make the assessment system more sensitive to risk. The proposed rule would create different risk scoring frameworks for smaller and larger banks that are well capitalized and well managed. We have the following comments on the proposal.

FHLB Advances

The League strongly opposes the definition of Federal Home Loan Bank advances as "volatile liabilities" and their inclusion in a new assessment scheme. Advances have pre-defined, predictable terms and, unlike deposits, do not evaporate due to circumstances beyond the control of the borrowing member. Advances provide League members with a reliable source of wholesale funding that has a beneficial and predictable effect on their business plans.

Small and Large Bank Assessments

The League believes that a more consistent approach should be used to measure and quantify risk for small and large institutions to ensure a fairer system. In general, we believe that any premium assessment methodology should provide similar results for institutions of varying size. We suggest that the approach for calculating the financial ratio factor be adjusted to make it less likely to be varied based on FDIC determined maximum and minimum assessment cutoff scores. The small bank methodology is more objective and depends only on financial statement data and CAMELS ratings.

New Institutions

The League believes that premiums for new institutions should be based on their risk profile and not simply on the number of years they have been open. We believe that this approach would be fairer and more consistent with the overall goal of developing a risk-based premium system.

Free Riders
The League believes that the FDIC should levy a "growth premium" on top of the regular premium assessments for large institutions that are growing deposits rapidly and materially diluting the reserve ratio. These premiums would address dilution of the fund and prevent the imposition of unfair and unnecessary premiums on other institutions.

Base Rate Schedule
The League suggests the FDIC lower the floor assessment rate to one basis point for the base rate schedule in Risk Category I and retain the proposed ceiling of four basis points. This would widen the spread for Risk Category I assessments to three basis points and allow for greater differentiation among institutions within Risk Category I. Additionally, we believe that a notice and comment period be required for all assessment modifications.

We appreciate the opportunity to comment on this important matter. If you would like to discuss this matter, I can be reached at 908.272.8500, ext. 617.

Sincerely,

James Meredith

James M. Meredith
Executive Vice President