FOUNDERS COMMUNITY BANK
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September 20, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 Seventeenth Street N.W.
Washington, D.C. 20429

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

Dear Mr. Feldman;

This letter is in response to the Federal Deposit Insurance Corporation's (FDIC) Deposit Insurance Assessments – Proposed Rule. More specifically, in response to the automatic categorization of all DeNovo Banks as a Risk Category I classification and the extension of the DeNovo status for banks to a seven (7) year period.

Per the FDIC, the purpose of this proposed rule is to "more closely tie what banks pay for deposit insurance to the risk they pose." To this end the proposal specifically states that the FDIC has adopted by regulation a system that places institutions into risk categories based on two criteria: capital levels and supervisory ratings. The proposal then goes into analysis of the CAMELS rating and its components. It is the consistency of this measurement that I propose be applied to **all** banks, regardless of their age.

The CAMELS rating when applied consistently renders the same end result that the regulators are seeking which is lower risk – lower cost and higher risk – higher cost and provides an equal standard throughout the risk assessment process. DeNovo banks are audited not only by the FDIC but also by their state or national charter regulators, independent financial statement auditors, loan/lending auditors, compliance auditors, and information technology auditors. When a DeNovo is audited, the age of the bank has already been accounted for and therefore does not need separate treatment, especially for an extended period of time. For example, the individual components of the CAMELS rating and the applicable DeNovo criteria are:

C – Capital Adequacy – Capital inherently requires a vigilant watch not only by management and the regulators but also by the initial shareholders, whose funds we have been entrusted with. Shareholders are especially diligent at this process while the bank is in its earliest years.

A – Asset quality – Regulators have already accounted for the age of the bank in their reasoning that neither the asset nor liability portfolios can be considered "seasoned" before several years of experience is achieved. Regulators do not take into account prior experience with individual customers, geographical locations or collateral criteria. They deem a portfolio "seasoned" when the individual bank has its own historical documentation to support it. Regular review of both loans and deposits are already required to take place; individual categories are compared for risk assessment; and, individual accounts are required to be assessed for potential weaknesses. In addition regulators and auditors review the quality and consistency of the portfolios and judged them on an extremely conservative basis during the first three years.

M – Management – Again during audit, regulators have taken into account the age of the bank and management's ability to run the institution in accordance with the FDIC and other regulatory directives.

E – Earnings – A DeNovo bank is already discounted in this category as it begins its life in a deficit with start-up costs and other associated costs.

L – Liquidity – A DeNovo is only benefited during its initial period as capital may exceed the initial liquidity requirements; however, after start-up, liquidity requires the same diligence whether a bank is new or has several decades under its belt.

S – Sensitivity to market risk – A DeNovo bank has completed extensive market analysis before and during its initial period. This analysis is reviewed on a consistent basis by management and the regulators and the DeNovo bank is already held to this degree of diligence.

While the above details support why a DeNovo bank should be measured against the same criteria as a more aged bank, there are other considerations as well. If the FDIC automatically applies a Risk Level I to a DeNovo bank, it is diluting its implied judgment within the open market. For instance, trained examiners have come and looked at the individual bank's records, management and operations and yet while this group of trained men and women have looked at the intricate details of the bank and determined which individual and summary CAMELS ratings should apply, the FDIC as an agency has overruled their training and judgment and instead based their decision solely upon the financial institutions age. Additionally, the proposal states that "financial information for newer institutions tends to be harder to interpret and less meaningful". If this is correct, the FDIC should defer to the detailed review of those auditors who actually looked at the bank's financial documents and have a basis for their decisions rather than to rely solely upon a calendar for their risk assessment.

In addition this ruling extends the DeNovo period from three years to seven years. The proposal clearly states that this argument is based upon, "studies based on data from the 1980s …." Using this as supporting documentation caused me to ponder the adequacy of the proposal. In the individual risk assessments that banks are being required to implement today, it is unheard of to utilize a study from 20 – 25 years ago. Since 1980 the American financial market has undergone de-regulation, the savings and loan crisis, implementation of the World Wide Web, technology advances, automated reporting, creation the Euro dollar, implementation of Sarbanes-Oxley, etc. This is not a reasonable basis for the FDIC to utilize. In addition, of the over 900 banks that have been granted "new" charters during the past several years, none have failed. Failures have occurred in mature banks and therefore this provision is not supported by sound documentation.

In conclusion, I respectfully request that the FDIC Board of Directors consider all banks on a risk based status rather than penalizing high performing banks due to their calendar life.

Respectfully submitted,

Mandy Leastman

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