WEDBUSH

September 22, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 Seventeenth Street, NW
Washington, DC 29429

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

Dear Mr. Feldman:

As a former banker and a present organizer of a de novo bank, I want to express my thoughts about the above proposal. I have two issues:

A. The system is highly complex and supposes a high degree of certainty where less precision would be acceptable. In particular, the use of a range for healthy institutions, and specific amounts for more risky institutions, is backwards, in my view. I would favor a fixed (small) amount for all institutions rated in the least risky class. If the FDIC believes a need exists to further quantify risk and premium levels, I suggest you revisit the secondary fixed amounts and go to ranges on those.

B. My greatest concern is the creation of a special class for all institutions that are in their first seven years of operation. In addition, the inclusion in that class of any institution who buys such a classified institution is a concern. De novo's by nature have to carry a higher level of capital the first three years of operation. These institutions are subject to the same capital levels and regulatory review (if not more) as other insured institutions. If the FDIC intends to truly move to a risk-weighted premium, then I believe the risk of de novo's should be measured just as other institutions. Let them fall into whatever risk classification they deserve.

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The proposed risk rating system states that a bank with strong capital, a healthy loan portfolio, few volatile liabilities, decent earnings, and a good examiner rating warrants a lower premium. This is fair and acceptable, however the proposal to arbitrarily ignore the system's results based on the bank's age is inconsistent with the entire intent of the proposal.

Furthermore, the proposal defends ignoring the financial performance of *de novo* banks by stating that the "financial information for newer institutions tends to be harder to interpret and less meaningful". On the contrary, the financial statements of *de novo* banks should generally be easier to judge, due to their typically modest number of business lines, and supported by more frequent and close examinations.

In addition, the proposed system does not rely enough on the CAMELS rating. If a *de novo* bank is able to obtain a rating of II (or better) so that it qualifies for the risk rating system, it has therefore earned the right to be measured by that system.

Finally, the proposal defends disparate treatment of *de novo* banks by citing past data that "new institutions have a higher failure rate than established institutions". This is no longer supported by current evidence and statistics. It is not surprising that today's *de novo* banks become profitable, stable and achieve performance maturity faster than in the past. Over 900 banks were chartered in the last seven years and not one of them has failed.

Thank you for the opportunity to comment.

Sincerely,

Tad Lowrey
Executive Vice President

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