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September 14, 2006

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 Seventeenth Street, N.W.
Washington, D.C. 20429

Re: Deposit Insurance Assessments for New Institutions

Dear Mr. Feldman:

Thank you for the opportunity to comment on the Federal Deposit Insurance Corporation notice of proposed rulemaking on deposit insurance assessments for new institutions.

Under the proposed rule, new institutions chartered seven years or less would be charged the maximum rate applicable to Risk Category I institutions. We are concerned and disappointed with this proposal that seems somewhat arbitrary and is being applied too broadly across a general class of banks.

Using the FDIC website, we identified fifty-seven bank failures affecting the BIF between 1994 and 2003. Of those, only six had been opened seven years or less. Eleven failed between years seven and fourteen. Nine failed between years fourteen and twenty-one. And more interestingly, fifteen failed that had insurance beginning in 1934. The bottom line – banks of all ages can fail.

The proposed rule notes that new institutions exhibit a "life cycle" pattern, and it takes close to a decade to mature. One way to mark that maturity is the time it takes a new institution to recover its initial losses. Nearly all new institutions experience losses, but the time it takes to recover can vary greatly. A report prepared by the Pennsylvania Department of Banking, as of September 30, 2005, compared eighteen banks chartered between 1999 and 2005. Of those eighteen banks, four had already recovered their initial losses. We agree that new institutions experience a life cycle; however, the length of the cycle can vary significantly. New institutions that do well should not be lumped in with all others.

We request that you consider the points that we raised. We support the proposal to base a small institution's assessment on a combination of CAMELS ratings and current financial ratios. We ask only that new institutions be assessed under the same methodology.

Sincerely,

Michael E. Kochenour

Michael E. Kochenour
Chairman, President & CEO

MEK/tlc

235 St. Charles Way • York, Pennsylvania 17402 • 717-741-1770 • Fax 717-741-1798 • www.yorktraditionsbank.com