HeritageBank
OF THE SOUTH

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September 15, 2006

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

Re: RIN 3064-AD09

Dear Mr. Feldman:

I am writing to comment on the proposed regulation on FDIC assessments (RIN 3064-AD09), 71 Federal Register 41910, July 24, 2006.

The proposed regulation automatically considers former credit unions as "new institutions" and they must pay the highest rate for Risk Category 1 institutions until they have been chartered as a bank or thrift for seven years without regard to how well established or well run the institution may be.

In our case, HeritageBank of the South, formerly AGE Federal Credit Union was formed in 1955 and converted to a federal mutual savings bank charter in July 2001. In February 2002, Heritage Financial Group was formed as part of the reorganization into the two-tier mutual holding company structure. On January 1, 2005, HeritageBank of the South converted to a Georgia state-chartered stock savings bank and is regulated by the Georgia Department of Banking and Finance and the FDIC, its primary federal regulator.

Both the state and FDIC have examined the bank and have given us CAMELS ratings of either a 1 or 2 in every category. The bank's past dues and net charge-offs are .42 and .08, respectively. In addition, our reserves/loan ratio is 1.42% and our capital ratio for the holding company is over 17%.

These factors combined point to a well-run, highly capitalized institution that is outperforming its peers in these areas and certainly does not pose an above-normal risk to the industry, quite the contrary. Yet, if this regulation is passed as written, we will be required to pay the same FDIC premiums as a de novo institution which is subject to more volatility as they work to establish themselves in their markets.

The FDIC imposes a requirement for 8% Tier 1 capital for three years on all true de novo institutions, but it recognizes the lower risk profile presented by operating non-insured institutions by not imposing that policy on former credit unions. The assessment regulations should follow the same principle and not treat former credit unions as "new institutions" subject to the requirement to pay the highest Risk Category 1 rate for seven years.

I believe that by not treating former credit unions that have changed their charter as a de novo institution would result in fair treatment for these institutions without adding risk to the deposit insurance fund.

Yours truly,

Leonard Dorminey

O. Leonard Dorminey
CEO