



June 10, 2005

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

RE: FIL-22-2005 CLASSIFICATION OF COMMERCIAL CREDIT EXPOSURES

Dear Mr. Feldman:

This letter is to provide our comment on Financial Institution Letter 22-2005 Classification of Commercial Credit Exposures, issued March 28, 2005.

As a general observation, we wish to comment and advise that it is our preference to maintain the present loan classification system and not to adopt the proposed changes contained in FIL-22-2005. I would assume that all bankers are familiar with the classification methodology presently utilized (or at least all bankers should be familiar with it). In addition to its familiarity, it is our opinion that the present classification system adequately addresses the needs of most, if not all, financial institutions.

If we understand FIL-22-2005 correctly, it adds additional complexities to the classification system in that it would apply only to commercial credits (and not apply to other types of credits). In addition to the separate rating classification systems, a new subcategory of "facility rating" would be implemented and the facility rating would be required only for a small portion of commercial credits. As stated in the FIL, "Typically, this is a very small proportion of all commercial exposures." We must therefore also wonder if there is any significant benefit (or any benefit at all) of implementation of the revised classification system.

The current classification system of special mention, substandard, doubtful, and loss is one that has seemed to serve financial institutions satisfactorily for several years. Any deficiencies in the current system would not seem to be sufficient to justify implementation of a new, more complex, and burdensome rating system. If there is any justification for the proposed new rating systems, it would seem to be more likely to be beneficial to extremely large institutions (such as \$5 billion or more).

Any change of the type proposed necessarily results in the need for changes to information technology systems as well as costs for training and implementation. These add to the present costs and burden of compliance.

As always, we appreciate the efforts of our regulators in considering improvements to all aspects of the banking business. However, we feel that the proposals contained in FIL-22-2005 should not be adopted.

Thank you for your consideration.

Sincerely,



John C. Freeman
President

JF/ebj

cc: Jennifer J. Johnson, Secretary
Docket **OP-1227**
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