

From: Iowa Division of Banking, Todd H. McDermott

Subject: Classification of Commercial Credit Exposures

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Proposal: Interagency Proposal on the
Classification of Commercial Credit Exposures
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Comments:

@@@The Interagency Proposal on the Classification of Commercial Credit Exposures would provide little value in return for the large expense associated with implementation of this proposal. The benefit for small and medium size institutions seems negligible and is therefore inappropriate for nearly all Iowa state chartered commercial banks. The present system is functioning well and is deeply incorporated into the banking system. Unwarranted expenses associated with training banking and regulatory personnel; retooling internal rating systems, credit review procedures and internal reporting systems; and rewriting loan policy and procedures, allowance for loan loss adequacy methodology, and loan administration and collection procedures would be incurred. In addition, bank regulators would incur significant cost. Manuals, examination reports, and related computer software would all require major revamping. The expense to administer these changes would be unnecessary.

The current system accurately assesses risk within the loan portfolio and will continue to do so. I strongly recommend the Agencies refrain from implementing this proposal.

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