From: Deborah Hall <dhall@cffc.com> on 06/27/2005 12:15:50 PM

Subject: Classification of Commercial Credit Exposures

This is in response to the Interagency Proposal on the Classification of Commercial Credit exposures.

Implementation of a two dimensional internal rating system across the board without consideration for institution size is inappropriate. While the proposed rating system may be appropriate when applied in larger corporate banks, the benefit in a community bank is negligible to nonexistent. Implementation would bring the need for revamping of current internal reporting systems and credit review policies/procedures, as well as staff retraining and restructure of loan loss reserve methodology. All of the necessary changes would come at a high cost both monetarily and in manpower. The proposal comes on the heels of other regulatory requirement changes that have taken a toll on the limited resources of smaller institutions.

If the proposed changes move us in a better direction for servicing customers, then it may well be worth the expense and burden it will generate. This however, is not the case. While the proposed rating system may allow for a greater focus on collateral and guarantees to mitigate loss, smaller banks know their customers and are able to incorporate collateral into the analysis within the framework of the current rating system. This analysis, in conjunction with watch lists and the quarterly review of watch committees, makes the overhaul of the system unnecessary.

Painting every financial institution with the same brush adds yet another regulatory burden. If this proposal is adopted, it should be relegated to larger banks who could more easily balance any benefits derived with the cost burden.

Respectfully,

Deborah Hall