



Matt Blunt, Governor
State of Missouri

DIVISION OF FINANCE

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D. Eric McClure
Commissioner of Finance

June 29, 2005

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Feedback on proposal regarding classification of commercial credit exposures

Gentlemen:

The Missouri Division of Finance has carefully reviewed the proposed changes for classification of commercial credits. We have solicited comments from commercial examiners and bankers from our state chartered institutions. Our office has not received any comments that support the proposal.

From the feedback we have received from those we supervise and regulate, the Missouri Division of Finance respectfully submits that the change is unwarranted and would needlessly complicate classification criteria. Many comments critical of the two dimensional proposal indicate the current criteria of financial capacity, as agreed performance, and collateral protection continues to serve well in credit evaluation. Additional concerns are that the new proposal would jeopardize adequacy of the allowance for loan and lease losses by significantly reducing levels of protection. The division is well satisfied with our commercial examiners' analytical skills and their ability to reach well founded conclusions. The consensus is that the proposal might work well for some of the largest banks in the nation, but would add regulatory burden to Missouri banking institutions.

The Missouri Division of Finance respectfully requests that the proposal be withdrawn from further consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read "Eric McClure".

D. Eric McClure

Commissioner of Finance

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