

June 14, 2005

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

Subject: Docket Number OP-1227

Dear Ms. Johnson:

The Interagency Proposal on the Classification of Commercial Credit Exposures is inappropriate for nearly all Iowa state chartered commercial banks. While it is possible to implement this classification scheme in all sizes of institutions, the benefit for small and medium size institutions seems negligible. Loan officers, senior credit administrators, and senior bank managers are very familiar with classified credits in small and medium sized institutions and are able to analyze both the borrower and collateral using the current system. Iowa Division of Banking examiners discuss classified credits with loan officers and bank managers and have a consistent record of accurately identifying loss exposure.

I urge the Agencies to refrain from implementing this proposal. If it is implemented, I urge the Agencies to restrict it to large complex banking organizations. Small and medium sized institutions already bear an excessive amount of regulatory burden imposed by inappropriate and irrelevant federal regulation. There is no valid reason to impose a new commercial loan classification system on small and medium sized banks.

Sincerely,


Morris F. Neighbor
Chairman of the Board

MFN/rkg