

June 27, 2005

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

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

**RE: Interagency Proposal on the Classification of Commercial Credit Exposures**

Good Morning:

We're pleased to have the chance to offer our views on the proposal to change the classification system for commercial credit exposure. The Oklahoma Bankers Association is opposed to this change and on behalf of our 272 member banks we ask that the proposal be withdrawn.

The reason for our position is two-fold: first, the proposal would impose proportionately more costs on the vast majority of our member banks, with no tangible benefit that we can perceive; and second, the system that we currently have in place is working well in Oklahoma.

Measuring "borrower risk" is what community banks do every day in making loan decisions. We have to know who our customers are, what their repayment capability is, and (barring a calamity) what our ultimate risk of non-payment may be before we ever make the loan. And that triggers the internal review by our member banks using the existing system – one that has worked well for more than 30 years.

Neither aspect of this proposal will make the element of risk more clear to community bankers. It won't help us discover where our problems are or might be, and it won't help us avoid the analysis that we do everyday trying to survive.

Moreover, the costs that community banks will have to incur to implement this new proposal might be justifiable if there was a discernable benefit that could be shown, either to the bank or to its customers. There isn't one, at least that we can determine, and we've asked bankers all across our state to express their views on this proposal.

Today's community banker is already stretched with regulatory over-kill and compliance mandates, and those requirements fall more heavily on smaller banks have very limited staff, and even though our Association tries to help relieve their day-to-day burden, we can't do it all for them. The human costs are simply more burdensome on smaller banks, with limited income potential, and this proposal will just add to that "overkill" status. Bank training, internal control modifications and changes, changed policies and procedures and additional auditing expense are just a few of the problems we see coming out of this proposal if it's adopted.

It would be one thing if the existing system wasn't working very well, but that's not the case. Our current system works, and it works well for community banks, both internally and externally. If there are different "interpretations" among regulators, or if there are current problems trying to bridge the age-old gap between regulators and banks in communicating about the current classification process, we simply don't see how this proposal will eliminate those problems.

Thank you for your consideration and for the opportunity to submit these comments on behalf of our member banks. Please feel free to call me or the OBA office if you have questions or if we can provide additional information and input.

Sincerely,

A handwritten signature in blue ink that reads "R. Dale Nichols". The signature is fluid and cursive, with the first name "R." and last name "Nichols" clearly legible.

Chairman, Oklahoma Bankers Association