From: The Callaway Bank, Kim Barnes

Subject: Correspondent Concentration Risks

Comments:

This letter is being submitted as a response to the request for comment on the Proposed Guidanceaddressing Correspondent Concentration Risk. The Callaway Bank is a community banklocated in Fulton, Missouri. For a number of reasons we rely heavily on theservices and support provided to us by our banker's bank and other correspondent providers. Theserelationships are critical to our bank and have become so central to our daily operations thatunnecessary disruptions to them would hurt our ability to effectively serve our customers.

TCB supportsthe concept of effectively monitoring and managing risksrelated to correspondent bank relationships. For many years the terms of Regulation F have successfullyguided us in this effort. We don't understand the necessity to impose additional limitations when the current guidelines have worked well. A 25% limitation will likely create a hardship for our organization. We encourage youto consider a 50% threshold if both parties are "well capitalized" as defined by Reg F.

We simply don't need yet another layer of regulatory burden requiring more resources to manage at this point. At last count, we have been beset with at least 20 regulatory changes and more than 30 FMAC mortgage loan program changes so far this year, which is a very heavy burden not likely to lighten in the coming years. Regulatory guidance with a purpose is endorsed by our institution - however, regulatory guidance can sometimes be misguided and do more harm than good. Please don't let this guidance fall into the latter category.

As a matter of common practice many community banks, including our own from time to time, buy orsell loan participations through their correspondent bank. This practice is similar in nature to the largeshared credit arrangements that exist between the largest (some now even have to big to fail status)banks in the country. We use the participation process as a way to enhance and often times diversifyour loan portfolio. The proposed guidance implies that these participations would be included in
calculations used to determine gross credit exposure to our correspondent. Since we approve andexecute these transactions independently from our correspondent on an arms-length basis and thecredit exposure is to the borrower and not our correspondent bank, we do not understand why or howyou justify including them in the calculation. We urge you to remove the loan participation languagefrom the calculation or somehow clarify it.

CashLetter deposits should be excluded from the "due from" balance for purposes of the proposed guidance. We also value the "as agent" fed funds mechamism offered by our correspondent, and would not like to see anything disrupt our access to this tool.

We believe that the guidance is excessive and unnecessarily complex. The risk assessment processshould encourage an appropriate balance of sound intuitive decision making without relying exclusivelyon rigid quantitative measures. Our bank has been able to successfully manage multiple correspondentrelationships for years without this additional burden. We appreciate the opportunity to respond and hope that you consider ourcomments before issuing your final guidance.

Thank you,

Kimberly Barnes
The Callaway Bank