From: Paula Bertels

Subject: Correspondent Concentration Risks

Comments:

November 23, 2009

This letter is being submitted as a response to the request for comment on the Proposed Guidance

addressing Correspondent Concentration Risk. Your Bank Name here is a community bank with

approximately Asset Size located in Your Location. For a number of reasons we rely heavily on the

services and support provided to us by our banker's bank and other correspondent providers. These

relationships are critical to our bank and have become so central to our daily operations that

unnecessary disruptions to them would severely hurt our ability to effectively serve our customers.

Your Bank Acronym here does support the concept of effectively monitoring and managing risks

related to correspondent bank relationships. For many years the terms of Regulation F have successfully

guided us in this effort. A 25% limitation will create a hardship for our organization. We encourage you

to consider a 50% threshold if both parties are "well capitalized" as defined by Reg F. Suddenly this

doesn't seem to be good enough and we are now being confronted with another wave of excessive and

complex regulatory burdens.

As a matter of common practice many community banks, including our own from time to time, buy or

sell loan participations through their correspondent bank. This practice is similar in nature to the large

shared 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 diversify our 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 and

execute these transactions independently from our correspondent on an arms-length basis and the

credit exposure is to the borrower and not our correspondent bank, we do not understand why or how

you justify including them in the calculation. We urge you to remove the loan participation language

from the calculation or somehow clarify it.

We believe that the guidance is excessive and unnecessarily complex. The risk assessment process

should encourage an appropriate balance of sound intuitive decision making without relying exclusively

on rigid quantitative measures. Our bank has been able to successfully manage multiple correspondent

relationships for years without this additional burden.

The Callaway Bank appreciates the opportunity to respond and hopes that you consider our

comments before issuing your final guidance.

Sincerely,

Paula Bertels