IOWA BANKERS ASSOCIATION

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June 16, 2005

E-mail: Comments@FDIC.gov.
Subject: Docket Number OP-1227
Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW.,
Washington, DC 20429.

E-mail: regs.comments@federalreserve.gov.
Subject: Docket Number OP-1227
Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551.

E-mail: regs.comments@occ.treas.gov.
Subject: Docket Number 05-08
Office of the Comptroller of the Currency
250 E. Street, SW, Mail Stop 1-5
Washington, DC 20219

E-mail: regs.comments@ots.treas.gov.
Subject: No. 2005-14
Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Dear Primary Federal Regulator:

The Iowa Bankers Association (IBA) is the largest trade association representing the banking industry in Iowa, with roughly 400 members statewide. This represents approximately 95% of the banking and thrift charters domiciled in the state of Iowa. The IBA appreciates the opportunity to comment regarding proposed changes to the classification of commercial credits.

The Interagency Proposal on the Classification of Commercial Credit Exposures will likely have costs and burdens for most Iowa banks which outweigh any benefits of this proposed classification system.

Implementation of this proposal will require banks to rewrite loan policies relating to allowance for loan loss adequacy, loan administration, credit review and collection procedures – and will require substantial retraining of bank staff to implement these

changes. Nearly all Iowa banks now have loan watch procedures which coordinate with the current classification system.

Current systems for most Iowa banks are adequate for identifying credit exposures under the current classification rules. Only the largest money center banks could possibly see any benefit to this "transparent" proposal of a two-dimensional rating framework which considers a borrower's capacity to meet its debt obligations separately from the facility characteristics influencing loss severity.

The resulting ratings under the new system seem no more clear than the current system, and would seem to be a significant new regulatory burden for most Iowa banks. We therefore urge the agencies to withdraw this proposal, as there is no valid reason to impose a new commercial classification system on Iowa banks at this time.

Sincerely yours,

Robert L. Hartwig
Staff Attorney & Government Relations Manager