

## Comments on Docket Number OP-1227

I have read and reviewed The Interagency Proposal on the Classification of Commercial Credit Exposures. I do not see the benefit to the majority of banks we examine in the State of Iowa or to the agencies that examine them (the Iowa Division of Banking and the Federal Deposit Insurance Corporation).

I have been examining banks and supervising examiners in Iowa for over thirty-three years. In the vast majority of cases, the variance between examiner's classifications and the bank's internally prepared classifications has been minimal and in most cases, not material. Further, the variance between examining agencies has been nearly non-existent over the past two decades. The elimination of the differences, I think, is primarily due to the improvements in the bank's internal generation of "problem credit lists" and the clarification of classification definitions by the examining agencies.

There may be some merit to larger institutions that use "a two-dimensional internal rating system" in this proposal. I would venture to say that the banks that may have such a system are much larger and more complex. Thus, the proposal is not helpful or useful to smaller or medium asset sized banks of the type we have in this state.

The costs to both the regulating agencies and to the banking industry would appear to be high and create an unnecessary burden. There is some validity to the old saying "if it isn't broke don't fix it." The current system works well for the banks in Iowa, for the Iowa Division of Banking, and for the FDIC in this region of the state.

My experience would also indicate that the preliminary estimation of the cost to implement the changes would be on the low end.

The definitions would be revised and interpreted repeatedly. This would create even more cost and time consumption that produces little or no benefit to the majority of banks (and agencies) it is proposed to assist in identify risks in the commercial credit portfolios.

I am not convinced of the merits of this proposal to the banks we regulate or of any benefit to our examining agency (“to minimize complexity and supervisory burden”). I am concerned with the cost to our division’s limited budget associated with the proposed changes. If the proposal is implemented then I suggest it be two-tiered; applying to larger institutions (assets of more than \$10 billion) and exempting all institutions below that threshold.

Sincerely,

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State of Iowa  
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