

LOURDES (LOU) A. LEON GUERRERO
President and
Chair of the Board

BANK OF GUAM
THE PEOPLE'S BANK

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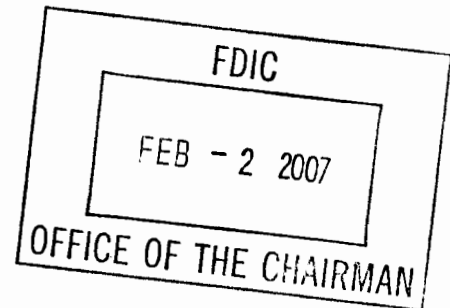
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Member FDIC

January 26, 2007

Ms. Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429



Dear Chairman Bair:

We appreciate the opportunity to be part of your forum relating to *"Affordable, Responsible Loans for the Military: Programs and Prototypes"*. Considering the sacrifices our military makes for all of us, this program is but one small thing we as responsible financial citizens can do to make their lives less stressful at home.

As you suggested I have taken the time to have Bank of Guam's Management review the FDIC's "Draft Guidelines on Small-Dollar Loans". Operating several oceans and time zones away could never have given us the kind of perspective on this issue as it did. Being present among our military banking peers provided us with the opportunity to have direct dialogue with bankers experienced in these matters and of course our regulators who obviously have a passion for this issue. As a result of our direct participation in your conference, I have met with General Douglas Owen of Anderson Air Force Base and Capt. Ken Freeman, Commanding Officer, U.S. Naval Base to discuss their concerns on this matter. Both high-ranking officials were excited to get the financial program going and were extremely cooperative to work with us especially in the educational and counseling aspects.

As to the "Draft Guidelines", our Credit Administrator was extremely supportive of the program and has already put together various loan product types tailored after the Guidelines. Of course the program will not only be offered to the military but also the general public in the islands we serve. This type of program would surely benefit our customers in the Federated States of the Micronesia, Republic of Palau, Republic of the Marshall Islands and the Commonwealth of the Northern Mariana Islands. These countries economies are currently suffering and this type of program can sure give them a boost.

In order to make this program work effectively and profitable, maximizing automation is the key. The loan margins are already thin as it is. This includes

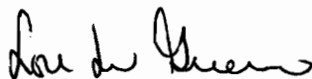
direct deposits, auto payment systems, ACH transfers and especially payroll allotments. However to really make this product more attractive to banks and to put the banking community on an even keel with credit unions, at least as to this product, the FDIC should support legislation to make any income derived from products such as these, that help serve our military and sub-prime borrowers, tax free. This can surely help defray any costs associated with managing this type of portfolio.

As to the front-end side, stream lining the application and processing time would also be helpful. Because of the amount of the loan and the type of borrowers we are targeting, we believe that any Bank Secrecy Act or Ant-Money Laundering risks are low. Consequently an examination of the Customer Identification Procedures and Customer Due Diligence can be relaxed so that the customer does not have to feel like they must undergo an interrogation process to obtain a \$500 loan.

The comments submitted by the American Bankers Association on the "Talent Amendment" and the "Payday Law", are the same concerns that we as bankers expressed at your December forum on Military Banking. We agree that a narrower definition of "consumer credit" as it is applied to the "Talent Amendment" and/or the "Payday Law", would help address the mandates that could limit other financial options.

I hope that our insights from the Pacific will be helpful. If you have any questions in regards to my comments, please do not hesitate to call me at (671) 472-5271 or e-mail me at loulg@bankofguam.com.

Sincerely,



Lou A. Leon Guerrero
President & Chair of the Board