NORTHWEST FEDERAL SAVINGS BANK
A Great Way to Bank

101 West 5th Street • P.O. Box 80
Spencer, Iowa 51301-0080
Fax 712-262-4188
712-262-4100

January 11, 2006

Office of Thrift Supervision
1700 G. Street, NW
Washington DC. 20552

ATTN: Regulatory Comments, Chief Counsel's Office

RE: THE DEVELOPMENT OF NEW BASEL CAPITAL ACCORDS (RISK WEIGHTED RULE CHANGES)

To Whom It May Concern:

Management of Northwest Federal Savings Bank has studied the proposed rule changes to risk weighted capital rules and offers the following comments:

- We would support increasing the number of risk-weighted categories from the current five to a total of seven categories. An increase of as many as nine categories would probably be taking things too far. It would be our suggestion that the two additional risk-weighted categories should be established at the 150 and 300 numerical levels.

- We would support changing the risk-weights on single family first and second liens so that they are dependent on loan to value considerations and also take into account loan structure, i.e., interest only and negative amortization products.

- Regarding multi-family loans, we would support a lower risk-weight for those loans that had a debt service coverage ratio of 1.40 times or greater for two consecutive calendar years if a stress rate of 8.50% were applied. In our opinion, loan to value ratios are not reliable enough to base risk-weights when dealing with any product type other than single family housing.

- Loans that are over 90 days past due should have a higher risk-weight assigned to them.

- Under the commercial real estate category, higher risk-weights should be assigned to land development, raw ground and construction loans as these loans inherently carry more risk.

- Relatively small banking organizations, e.g., individual bank charters under $1 billion in asset size, should be permitted to elect to continue to use the existing risk-based capital rules without revisions.

- Finally we are concerned with the proposed capital differences that would be potentially created between large banks (adopting the lower Basel II capital standards) and smaller, community banks which would likely remain in the higher capital requirements and inherent cost of capital. This difference creates a competitive disparity, as large banks would have a distinct pricing advantage.

Sincerely,

C. B. (Neal) Conover, IV
CEO

William C. Orrison
President