

**From:** Paul Olsen  
**Subject:** Classification of Commercial Credit Exposures

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                                  sbank.net                                  To:  
  cc:  
Exposures                          04/25/2005 10:57                  Subject: Commercial Credit  
                                  AM

Dear Todd:

I am writing regarding the proposal to change the rating system from Special Mention, Substandard , Doubtful and Loss to a dual rating system.

After 28 years in banking and having grown up with the current system. I would comment that the current four category system is really only three with the lack of usage of Special Mention. I think the three categories now in use could flow to the new three category system and you could simply add the Facility rating on top of the current names. It seems this could assist with the transition by simply adopting the new definitions to the old names.

If I may comment I am intrigued by the idea of the dual rating that might allow us to separate or better define the degree of Substandard one customer is versus the next Substandard customer or Marginal depending on the naming.

The new system would allow banks and regulators to better analyze borrower and bank progress from exam to exam. Today we can have the same % of capital classified from exam to exam and there is not any meaningful determination of improvement or lack thereof , a wider spectrum rating system might very well help us all better determine improvement or lack thereof.

Expanding the range or degrees of the current rating would be a positive, at the same time I do not think that you will completely eliminate disagreements between banks and regulators if that is a major goal.

You are on the right track considering expanding the range of ratings classified borrowers can have , because three categories are not enough so I do commend your efforts

Please do not hesitate to contact me if I can be of assistance to you..

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