

# **OAK BROOK BANK**

1400 Sixteenth Street, Oak Brook, IL 60523. Phone 630-990-BANK, ext. 213. (Fax 630-571-3934)  
Richard M. Rieser, Jr., Chairman of the Board, CEO

April 21, 2005

**VIA E-MAIL; FACSIMILE AND  
U.S. MAIL**

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, NW  
Washington, DC 20551

RE: Docket #: OP-1227

Dear Ms. Johnson:

This is in response to your request for comments on your joint proposal to revise the classification system for commercial credit. We have four comments / questions:

- 1) **Loss Severity Estimates** – We suggest that you create more sensitivity by either expanding the number of loss severity categories or, alternatively, broadening the ranges as follows:
  - a. Remote Risk of Loss 0%.
  - b. Low Risk of Loss 0 – 13%.
  - c. Moderate Risk of Loss 13 – 33%.
  - d. Significant Risk of Loss 33 – 50%.
  - e. High Risk of Loss 50% or greater.

We are particularly concerned that the low risk of loss category is currently within too narrow a band -- in particular, with respect to loans for which there is a secondary quoted market where values rise and fall on a daily basis between 0 – 13%.

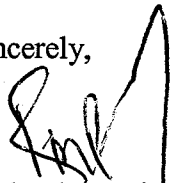
- 2) **Guarantors** – You apparently have carved out an exception for situations where Guarantor strength can supplement or replace the borrower's credit. We have two comments regarding this.

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- a. It is extremely vague and needs more definition.
  - b. You need to explore in greater depth the effect of limited payment guarantees, springing guarantees, and collection guarantees, all of which are in regular and common use.
- 3) **Multiple Loans to the Same and/or Related Borrowers.** Frequently, but especially in a real estate context, we extend credit to LLC's which may be commonly controlled by a single manager and which may or may not simultaneously have the same or similar investor groups. We did not think that your proposal is sufficiently clear as to how to treat multiple related real estate transactions, each of which may be performing at different levels. We request further clarification.
- 4) **Commercial Real Estate Lending.** In general, your proposal seems focused on C&I Lending and related activities, rather than secured commercial real estate lending. Your analysis of commercial real estate lending activities should certainly be as broad and deep as your analysis of asset based lending activities for which you have carved out specific rules. Smaller banks, in particular, often have concentrations in commercial real estate.

If you have any questions, please don't hesitate to correspond.

Sincerely,



Richard M. Rieser, Jr.  
RMR:dab

cc: Mitch Hollins  
George Clam  
Glenn Krietsch  
John Bonino