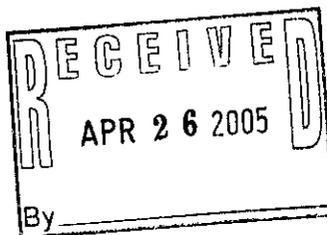


**Hills Bank**  
and Trust Company



131 Main Street  
Hills, Iowa 52235  
319-679-2291

# 17

April 18, 2005

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington DC 20429  
Attn: Comments

**RE. Interagency Proposal on Classification of Commercial Credit Exposures**

Dear Mr. Feldman:

Hills Bank respectfully requests that you not change the classification definitions for commercial loans. The existing definitions have served us well for many, many years. As they apply to all of our loans, they are relatively easy to administer. They have allowed us to identify problem credits and work those credits to successful resolution. The methodology has enabled us to build and automate an effective quarterly watch list for our entire portfolio, and we depend on that list in the management of our problem credits and in assessing the quality of our loan portfolio. We have built historical data of our portfolio quality including trends and changes, based on the traditional classification scheme. The classifications are at the core of our quarterly Loan Loss Review analysis. It would be a significant step backwards to change the scheme at this time.

Please know that in commercial banks, bank management is responsible for compliance with all laws and regulations, including regulations governing traditional consumer compliance areas and also regulations governing safety and soundness. Consumer compliance, bank secrecy and other compliance areas continue to build complex requirements on banks. Presumably these rules are needed. However, we see no need, at the same time, to turn the safety and soundness component of bank management on its head by radically changing the loan portfolio management methodologies that we have grown to know and trust. Please leave us this one area of stability in bank regulation and *please* do not change the loan classification definitions.

Sincerely,

A handwritten signature in cursive script that reads "John Benson".

John Benson  
Vice President/Senior Credit Officer/In-house Counsel