November 23, 2009

VIA EMAIL: comments@fdic.gov
Mr. Robert E. Feldman, Executive Secretary
Attn: Comments
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Submitted via email

RE: Proposed Guidance-Correspondent Concentration Risk

Dear Mr. Feldman:

This letter is being submitted as a response to the request for comment on the Proposed Guidance addressing Correspondent Concentration Risk. Sterling Bank is a community bank with approximately $175,000,000 located in Poplar Bluff, Missouri. For a number of reasons we rely heavily on the services and support provided to us by our banker's bank and other correspondent providers. These relationships are critical to our bank and have become so central to our daily operations that unnecessary disruptions to them would severely hurt our ability to effectively serve our customers.

Sterling Bank does support the concept of effectively monitoring and managing risks related to correspondent bank relationships. For many years the terms of Regulation F have successfully guided us in this effort. A 25% limitation will create a hardship for our organization. We encourage you to consider a 50% threshold if both parties are "well capitalized" as defined by Reg. F. Suddenly this doesn't seem to be good enough and we are now confronted with another wave of excessive and complex regulatory burdens.

As a matter of common practice many community banks, including our own from time to time, buy or sell loan participations through their correspondent bank. This practice is similar in nature to the large shared credit arrangements that exist between the largest (some now even have too big to fail status) banks in our country. We use the participation process as a way to enhance and often times diversify our loan portfolio. The proposed guidance implies that these participations would be included in calculations used to determine gross credit exposure to our correspondent. Since we approve and execute these transactions independently from our correspondent on an arms-length basis and the credit exposure is to the borrower and not our correspondent bank, we do not understand why or how you justify including them in the calculation. We urge you to remove the loan participation language from the calculation or somehow clarify it.

We believe that the guidance is excessive and unnecessarily complex. The risk assessment process should encourage an appropriate balance of sound intuitive decision making without relying exclusively on rigid quantitative measures. Our bank has been able to successfully manage multiple correspondent relationships for years without this additional burden.

Sterling Bank appreciates the opportunity to respond and hopes that you consider our comments before issuing your final guidance.

Sincerely,

Max Ross
Executive Vice President
Sterling Bank