



June 30, 2005

[Via email: comments@fdic.gov](mailto:comments@fdic.gov)

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
Attn: Comments

RE: Interagency Proposal on the Classification of Commercial Credit Exposures

Dear Mr. Feldman:

Cardinal Bank appreciates the opportunity to comment on the Interagency proposal regarding the ratings system employed for classification of commercial credit exposures. The Bank's management is grateful for the agencies' interest in and consideration of these comments.

We support, in principal, an approach in which credits are rated based on the borrower's characteristics and additionally take into account factors related to the credit facility itself. And we further understand the merit in providing guidelines which serve to improve the consistency and accuracy in the process of assigning credit ratings.

However, we are concerned that, particularly for small and mid-sized community banks, the administrative burden of implementing a two-dimensional rating system as described in the proposal may provide only marginal additional value in comparison to the overhead of maintaining such a process.

Cardinal Bank has implemented and employs a single composite rating for each loan that is based on a set of factors which assess the borrower's condition, and further provide adjustments for aspects of the facility, including collateral, guarantor support, and structural characteristics.

We believe that the intent behind the proposal has value, and that considering factors along both borrower and facility dimensions in assigning a credit rating is an approach that warrants consideration and further discussion. Perhaps, again particularly for small and mid-sized community banks, guidance on the component characteristics used to derive ratings within the existing system would provide some of the benefit intended by the proposal at a lower overhead to these financial institutions.

Again, thank you for the opportunity to comment on the proposal.

Sincerely,

Donald A. Hancock, Jr.
Senior Vice President
Credit Administration