First National of Nebraska

1620 Dodge Street
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March 26, 2007

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5
Washington DC 20219
RE: Docket No. 06-15, RIN 1557-AC95

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and constitution Avenue, NW
Washington, DC 20551
RE: Regulations H&Y, Docket No. R-1238

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RE: RIN 3064-AC96

RE: Risk-Based Capital Guidelines: Capital Adequacy Guidelines: Capital Maintenance: Domestic Capital Modifications.

Ladies and Gentlemen:

First National of Nebraska is a bank holding company with total managed assets in excess of $16 billion as of December 31, 2006. We are a regional bank and our fundamental business model is not complicated. We are engaged in the delivery of a traditional mix of banking services and credit products to individuals, small businesses and middle market businesses primarily within our geographic footprint.

We commend the regulatory agencies for their efforts to move the US risk based capital rules to be more sensitive to the underlying risks associated with banking and the company's underlying business profile. The voluntary adoption by a banking company of your proposal is an appropriate approach to this topic considering the variability of costs versus benefits that the proposed rules will have on the banking community.

We do have four areas on which we are offering specific comments.

1. We wish to focus on our primary concern with the NPR, namely the capital treatment for mortgage and second mortgage products. In our opinion the approach to Question 7 of the proposal, clearly fails the cost/benefit test as it applies to the calculation of capital for mortgage exposure on the books of a bank. The current "pool" concept for determining the appropriate level of capital for first liens is simple and effective, specifically when the historic loss experience banks have had with this product is considered. The proposals contained in the NPR move the calculations from a "pool" to a loan-by-loan calculation. Under the NPR, the value of the property subject to the lien is used to arrive at the CCF contained in Table 3. A bank may not update the value unless additional funds are advanced on the property by the first lien holder. We do not agree with this proposal. We have borrowers who refinance their loans with us due to changes in interest rates and it makes no sense to require the borrower to take cash out on refinance in order for our bank to enjoy the benefit of the lower LTV.
2. The approach taken in respect to Question 13 of the proposal also fails the cost/benefit test in relation to the treatment of HELOC products. This asset type has low historic losses. Under the proposal, we will compute, on a loan by loan basis, the LTV and then search to see if we have the associated first lien. We will be required to calculate capital by a review of two different tables in the NPR, depending on other variable factors. In short, we will take a relatively safe asset type and now approach capital adequacy calculations on a loan by loan fact specific basis. In addition, this proposal will add the need to calculate capital on the unfunded portions of the HELOC exposure. It

is our understanding that regulatory published statistics on the usage rate of HELOC lines show that far less than 100% of the lines are ever used. The changes will materially increase the operational burden associated with this product, with little ultimate gain.

3. The interrelationship in the proposal of the various tables for first and second residential mortgage exposure create an unnecessary level of regulatory burden.

4. We would also like to comment on using the lowest rating of a NRSRO if there are multiple ratings on a credit. The implication of using the lowest rating is putative and suggests the NRSRO with the lowest rating is the most appropriate, when in fact the NRSRO with the lowest rating may have the most bureaucratic and non-responsive process of all the NRSRO. When the use of NRSROs is required, we suggest you modify the approach to say a plurality if more than two and the higher of the numbers in the case of two.

Thank you for reviewing these comments, First National of Nebraska appreciates the opportunity to comment on the advance notice of proposed rulemaking (ANPR) issued jointly on December 26, 2006 by the Office of the Comptroller of the Currency, Board of Governors of the Federal reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision.

Sincerely

Timothy D. Hart

Timothy D. Hart
Treasurer & Senior Vice President