- While we can see usefulness of schedules of collateral values for certain types of loans, appraisals generally are not updated regularly for our non qualified loans and neither they or the loan to value are currently housed in our loan system. Similarly, FICO scores are generally not updated for non-impaired loans. Requiring this type of information to be updated for all loans would not only be a significant burden of time, but also a significant cost to us.

In closing, we would like say that the allowance for loan losses is the most significant and subjective calculation that we perform. Accordingly, we have developed a disciplined allowance methodology that requires substantial time and expertise of many individuals across several functional areas within our institution to carry out on a monthly basis. As indicated above, we are a commercially focused lender and have maintained prudent credit underwriting standards prior to, during and since the recent economic downturn. Of course we saw a decrease in asset quality and an increase in our allowance for loan losses during this downturn just like everyone else. However, we feel that because of our disciplined allowance methodology, prudent underwriting and well managed loan workout program, we managed through this tough economic environment very well. After reading through the ED we are not convinced that if we had been operating under the proposed rules during the recent economic downturn we would have been any better off or that our investors/regulators would truly have had a better picture of our credit quality.

Sincerely,

Michael L. Kubacki
Chairman and Chief Executive Officer

David M. Findlay
President and Chief Financial Officer

Teresa A. Bartman
SVP – Finance & Controller

Charles E. Niemier /TAB
Charles E. Niemier
Audit Committee Chairman