OLD LINE BANK

February 27, 2006

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
ATTN: Docket No. OP-1248

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

RE: Proposed Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices

Dear Sir and Madam:

We appreciate the opportunity to comment on the proposed new guidance referenced above. Old Line Bank is a well-capitalized, growing community bank ($170 million in assets) operating in Washington DC's suburban Maryland markets of Prince George's, Charles and St. Mary's Counties. Like other community banks within our region, the supply and demand for commercial real estate (CRE) have afforded Old Line opportunities to pursue sound growth utilizing conservative underwriting standards consistent with the principles set forth in past inter-agency pronouncements, but responsive to competitive pressures within the markets in which we operate.

Commercial real estate lending is a core component of our lending program and of our primary competitors. Our institution has a strong record with regard to credit underwriting and management skills as evidenced by our history of regulatory examinations, low delinquency rates, and near absence of loss rates. Our lending staff is relationship driven and seeks to maintain awareness of market and industry trends of the borrowers within their portfolios. Through appraisers, publications, local governments and others, we remain abreast of market trends and economic development issues that affect us. We operate in limited markets where we can maintain familiarity. We have significantly increased assets and market presence while successfully maintaining strong core credit standards, proactively addressing borrower trends and managing risk factors within our portfolio. We believe this attests to the validity of our methods and ability to compete, safely and soundly in the CRE arena.

We agree that increased exposures can subject an institution to cyclical risks as occurred in 1990 and, to a much smaller extent, in 2000, when office vacancy rates were elevated. We also agree that banks must be mindful of changing conditions and proactive in their assessment. However, we believe the proposed new guidance on CRE inadvertently penalizes well managed institutions with strong credit skills and inadvertently reduces the ability of many small and medium sized community banks to pursue sound growth strategies available to them by assigning arbitrary concentration thresholds and onerous new requirements for portfolio management. We believe the proposed rules provide an unfair competitive advantage to larger lending institutions; and we believe the proposed rules subject well managed institutions to undue regulatory oversight that is not risk based. We offer comments in four areas of the proposal as follows:

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Use of arbitrary concentration thresholds: The agencies propose to set thresholds for concentrations in land/development/construction loans and all non owner-occupied CRE loans that could effectively limit or preclude the growth of smaller community banking institutions or subject them to increased regulatory scrutiny without regard to sound management practices and underwriting standards that may already be in place. A more risk based approach to concentrations should be considered.

Underwriting standards: 1. The agencies propose that institutions set maximum loan amounts by type of property, where the bank's history confirms numerous factors contribute to the transactional risk and little, if any, correlation can be drawn between loan size and delinquency/loss risk factors. 2. We feel the requirement for comparison with secondary market underwriting standards is potentially beyond the capabilities of some smaller institutions. 3. The agencies propose policies that require the use of feasibility studies for CRE lending applications. In our practical experience, we are unaware of the use of feasibility studies other than for exceptionally large projects and would welcome additional agency guidance as to when such studies are desirable.

Portfolio risk management: While we agree that strong management information systems enhance the ability to manage portfolio risks, there are inherent limitations in many of the software systems and in computer-related training of personnel at many smaller lending institutions. Adoption of the proposed guidance may prove onerous to many smaller institutions that may need to develop or purchase supplementary systems to monitor the many risk variables proposed and/or increase personnel to meet the agencies' perceived risks in the areas of MIS, market analysis, and portfolio stress testing. The agencies should recognize that, individually, community banks pose inherently smaller risks of loss to the FDIC than larger institutions due to familiarity with the markets in which they operate and the fact that they form a large, well diversified, risk pool. By contrast, many larger institutions operate in numerous far reaching and disparate markets. The agencies may be correct in requiring large banks to adopt sophisticated risk measurement and management practices to safeguard their CRE portfolios, but the proposed measures may prove ineffective for smaller institutions that lack sufficient loan pools to render meaningful statistical analysis, while the cost of adopting such systems may provide still greater competitive advantage to larger institutions. We believe the agencies should approach portfolio risk management in a manner commensurate with the size and risk elements of the lending institutions.

Capital adequacy: We agree that minimum levels of capital ratios may not sufficiently buffer institutions with high and increasing concentrations of CRE loans relative to other types of loans in their portfolios. However, the agencies' proposal does not attempt to define or suggest what additional levels of capitalization might be appropriate at various concentrations. The agencies should also be mindful of varying risks from soundly underwritten and administered CRE credits and those that suffer from liberal terms and weak institutional controls. We believe that CRE lending is one area in which sound community banks such as Old Line Bank can compete effectively with larger institutions. If a broader risk based approach is not adopted, we fear larger banks will gain still greater competitive advantage in this area.

Old Line Bank appreciates the agencies' concerns for the increasing CRE exposures observed in recent examinations and the need for enhanced vigilance by lending institutions. However, we believe the proposed guidance places excessive importance on those risk elements that are independent of the transaction and potentially subjects smaller institutions to undue burdens to comply with the proposal's requirements. Your consideration of our comments and those of other institutions in like circumstances is sincerely appreciated

Respectfully,

James W Cornelsen

James W Cornelsen
President and Chief
Executive Officer