CITY FIRST
BANK OF DC

March 14, 2006

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 – 17th Street, NW
Washington, DC 20429

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th and Constitution Ave., NW
Washington, DC 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

RE: Docket No. OP-1248 (Board); 06-10 (OCC); 2006-01 (OTS);
Proposed Commercial Real Estate Lending Guidance

Gentlepersons:

We are pleased to submit comments on the proposed Guidance pertaining to "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" ("Guidance").

CFB is a National Bank and a Community Development Bank (CDB), certified by the U.S. Treasury Department's Community Development Financial Institutions (CDFI) Fund. Our primary mission is promoting community development. We serve the areas in and around Washington, D.C. that lack access to credit and are not adequately served by the traditional banking industry.

We commend the Federal banking regulatory agencies for their strong commitment to ensuring the health and vitality of the nation's banking system. We are, however, very concerned about the impact the proposed Guidance may have on our ability to meet the credit needs of low income communities. We provide credit to borrowers, creating affordable multifamily housing opportunities and small-to-moderate scale commercial real estate projects that act as catalysts in creating jobs and revitalizing economically distressed neighborhoods. The projects we finance are not the type of large, speculative commercial real estate (e.g. office buildings) projects that have historically proven problematic to the banking industry during general real estate market downturns. Rather, we finance the smaller, neighborhood-based commercial real estate projects where demand is typically more stable and less risky.

We will be adversely affected by the proposed guidelines due to our strong commitment to serve areas often overlooked by the larger, more traditional banks. We are very concerned with the "at risk" guidelines that would apply to banks and thrifts with:

(1) total loans in construction, land development or other land that represent 100% or more of capital; or

(2) total loans secured by multifamily and nonresidential properties and loans for construction, land development, and other land that exceed 300% of capital

These guidelines, we believe, will further limit access to financing in the low income and other already credit-starved communities in our market area. As community development finance activity has expanded over the past decade in both the traditional banking sectors, as well as among CDBs, multifamily housing and neighborhood-based commercial real estate projects have proven to perform well financially through several business cycles. These activities have proven to have lower past due and charge-off rates than large, upscale, speculative commercial real estate transactions. These capital restriction impacts would apply to all community banks, not just CDBs.

We strongly urge the Federal bank regulatory agencies to amend the proposed guidelines to recognize the inherent differences between serving low income communities and other markets. Specifically, we ask that the revised Guidelines include exemptions that recognize the lower risk profile of community development lending. We recommend the regulators exempt from the guidelines all transactions that qualify as Community Reinvestment Act eligible activities. Alternatively, the regulators could exempt transactions with characteristics that generally describe community development activities (e.g. smaller transaction size, geographic proximity to the bank's headquarters, and location of a borrower or project in a census tract that is at or below 80% of the area median income, portion of low-to-moderate income residents).

We also strongly disagree with the emphasis the Guidance places on underwriting to secondary market standards. Many of the credit opportunities in low income communities do not meet standardized underwriting criteria. In fact, there is little or no secondary market activity for small to mid-size multifamily properties or for neighborhood-based commercial properties used for retail, office, manufacturing or distribution businesses. While we agree that standardizing such lending is important, no such secondary market standard exists today. Without the recommended exemptions, we believe the proposed guidelines will strongly undermine our ability to serve low income markets. We also believe the Guidelines as currently proposed could have the unintended consequence of discouraging traditional banks from engaging in multifamily and neighborhood-based commercial real estate lending in distressed and credit starved communities.

In summary, while we believe that capital ratio restrictions may be necessary to stem some kinds of speculative real estate lending, the ratios proposed will have a deadening effect on community development lending by smaller institutions. We concur that underwriting standardization is needed and that more robust underwriting and monitoring of real estate loans is necessary. We are already moving in this direction. Such ratios should be used only as a litmus test for the need for improved loan administration. These matters are best addressed by examination of the loans than by arbitrary ratios tied to capital. After all, nearly every one of our loans are CRA eligible

We ask that you take our views into consideration in revising the proposed Guidelines. Without giving consideration to the credit needs of low income communities, we believe the proposed Guidelines will negatively and disproportionately impact the ability of CDBs and traditional banks to serve underserved low income markets.

We thank you for the opportunity to comment on the proposed Guidelines.

Sincerely,

Edward E. Furash

Edward E Furash,
CEO, Vice Chairman
City First Bank of D.C., N.A.