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

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

Dear Sir:

I am the Vice President/Loan Review Manager for Premier Bank, located in Jefferson City, Missouri. Premier Bank has $736 million in assets. The bank is involved in CRE construction and development lending and CRE lending. We have had and continue to have high growth rates in these areas. As a bank we have already instituted most of the risk management practices outlined in the guidance. As measured against capital, we exceed the measurement thresholds outlined in the proposed guidance. It is assumed that the guidance will fully apply to our institution.

Premier Bank does not support the adoption of the proposed guidance on Concentrations in Commercial Real Estate Lending – Sound Risk Management Practices in its present format. We feel that as proposed the guidance does not provide clear direction and would be difficult to implement. In certain aspects the guidance creates more questions than answers.

Premier Bank's primary issue with the proposed guidance is that it is very comprehensive in scope concerning risk management practices; however, in terms of specific regulator expectations for compliance with the guidance it is lacking. The guidance covers several different risk management areas but it does not give any detail on what is expected for compliance and how the guidance will be applied. For example, the guidance states that institutions should hold capital commensurate with the level and nature of the risks to which they are exposed and that institutions with high or inordinate levels of risk are expected to operate well above minimum regulatory guidelines. At what point is the risk considered to be high? What is the regulators expectation of an appropriate cushion? A second example is that the guidance states that institutions should consider CRE concentrations in their assessment of the adequacy of the allowance for loan and lease losses. This has been a common practice at Premier Bank. But with the increased focus does this mean that the expectation will be that if concentrations are present the allowance should be higher? These are just two examples of several where more specific direction would be helpful.

If an institution's risk management practices are found to be lacking because of the new focus on CRE lending, will bank management immediately be criticized or will a certain amount of time be given to bring CRE risk management practices up to expectations. We consider our current risk management practices to be sound as evidenced by the results of our recent regulatory examinations. We make CRE loans to multiple borrowers in multiple markets which we believe

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helps mitigate our overall risk. We regularly monitor concentrations and the economies of each of our markets. As a bank, we consider the risk of CRE lending as favorable in comparison to other potential commercial/retail lending opportunities that are available. We have focused much of our efforts in CRE lending. However, our current practices do not cover every area addressed in the proposed guidance. Our concern is that our practices will go from being considered sound to needing improvement due to the new guidance and increased focus on CRE lending.

Another concern is how this guidance is going to be applied on a bank by bank basis. Will it be fairly applied to all banks? Do examiners have specific measurements to determine if a bank's practices are in compliance? If the guidance is not evenly applied from institution to institution this could lead to competitive imbalances.

Overall, as stated above, Premier Bank does not support the guidance as written. If taken word for word, implementation at the bank level would be difficult because the guidance is so broad in scope but yet lacks specific direction in many areas.

Sincerely,

Jerry Nail

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