Bay Bank & Trust Co.

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By ______

February 16, 2006

Mr. Robert E. Feldman Executive Secretary
Federal Deposit Insurance Corporation
5500 17th Street NW
Washington, D. C. 20429-9990

Re: Financial Institution Letter FIL-4-2006, January 13, 2006

Dear Mr. Feldman:

I have read the proposed interagency guidance on Commercial Real Estate Lending and I too share your concerns regarding the rapid growth of financial institutions and their lending habits. I am however, concerned that your solutions will seriously impact community banks and the economies they serve.

I believe there should be restrictions put in place that would control growth and at the same time allow prudent growth in assets and asset quality. My bank presently has in excess of 10% leveraged capital in the amount of $28,000,000 on between $250 million and $260 million in total assets. I have been in banking since 1958 and I am generally considered conservative in my lending practices, but according to our internal calculations this proposal, as we understand its meaning, would require us to stop lending. In addition the proposal would require us to put up an additional $48,000,000 in capital. This additional capital injection would not allow us to make what we consider to be another safe and secure loan. We underwrite credits closely and generally shy away from unsecured loans, inventory, receivables, etc. The local market for many owner occupied commercial units, exempt under the proposal, are financed at fixed rates for fifteen years a risk we consider unacceptable.

I agree that lending, by many financial institutions, is getting out of hand and moving to rapidly. I believe there are several causes for this and solutions available that would have less severe consequences on the industry and on the economy. In my career, my hometown has grown from two commercial banks, two savings and loans, and three credit unions; today I can not tell you how many financial institutions are in my community (plus brokerage houses and insurance companies) competing for the same limited client. I am getting close to retirement, so my offered solutions are not meant to be self-serving.

First, there should be put in place (once again) before any new bank or branch is allowed, a needs test. If there is not a proven need for a community to have additional financial services, then the competition for financial business must be restrained in order that the banks presently serving a market will not have the limited other (other than real estate) solid business diluted. Competition is so fierce in pricing and loan availability that quality suffers and consequently the safety and soundness of the financial institutions suffer (especially in an economic downturn that many bankers today have never encountered).

Second, I am constantly amazed at the terms offered by my competition. I used to tell my lenders to hold on they can't do this for long, but I have been wrong. Everyday I hear of deals that I feel are safety and soundness issues. If you were to implement some measure of increased cash down payment to cost, in addition to appraisal, this could help control growth while at the same time promote sounder lending policies. Such conditions, along with other appropriate terms will promote a safer, more restrained, and

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therefore sounder lending environment. These requirements could be adjusted from time to time (much as the Federal Reserve adjust interest rates) in order to promote sound lending as the need may arise in the future at the regulators discretion.

Implementing such policies, and allowing existing loans to be grandfathered, would promote a smoother, safer, sounder transition for community banking and the economy than the proposed regulatory change. In addition to the two previous suggestions, you could leave existing capital requirements as they are and if later determined necessary, in addition to the other measures, you could then put in place announced scheduled capital level increases over time. These increases could come from retained earning increases that a well run bank could generally be expected to generate over time.

Thank you for hearing me out.

Sincerely,

E. Clay Lewis, III
President/CEO