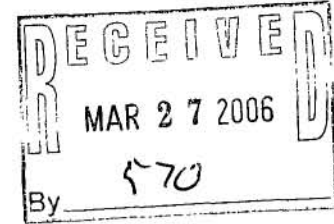




**Main Facility:**

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March 16, 2006

Office of the Comptroller of the  
Currency  
250 E. Street, SW  
Public Reference Room  
Mail Stop 1-5  
Washington, DC 20219  
Docket No. 06-01

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G. Street, NW  
Washington, DC 20552  
Docket No. 2006-01

Robert E. Feldman  
Executive Secretary  
Attn: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Jennifer Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> St. & Constitution Ave., NW  
Washington, DC 20551  
Docket No. OP-1248

Re: Proposed Guidance- Concentrations in Commercial Real Estate Lending, Sound  
Risk Management Practices

Dear Sir or Madam:

McHenry Savings Bank appreciates the opportunity to comment on the Proposed  
Guidance –Concentrations in Commercial Real Estate Lending, Sound Risk Management  
Practices (“Proposed Guidance”) issued by the Office of the Comptroller of the Currency,  
the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance  
Corporation, and the Office of Thrift Supervision (collectively, the “Agencies”).

In perusing the proposed guidelines dealing with concentrations in commercial real estate  
(CRE) loans a few issues and concerns immediately came to mind.

Realizing the intent of Sound Risk Management Practices, the proposals identifying  
concentration and threshold levels seem to be arbitrary and do not take into account the  
individual risks associated with each credit. For example: McHenry Savings Bank has a  
large percentage of commercial loans in owner occupied commercial properties. These  
loans have a very low delinquency rate, cash flow and are not considered speculative. Yet  
according to your proposed guidelines, these credits are considered to be high risk and

**Downtown:**

1209 N. Green St.  
McHenry, Illinois  
60050

**Richmond:**

Route 173 & Main St.  
Richmond, Illinois  
60071

**Johnsburg:**

4000 N. Johnsburg Rd.  
McHenry, Illinois  
60050

**Huntley:**

10390 Route 47  
Huntley, Illinois  
60142

contribute to the threshold level. Each loan should be evaluated upon its collateral coverage, cash flow and underlying guaranties.

The proposed requirement for institutions to hold additional capital based solely upon this regulation is extremely onerous to community banks. The Agencies should not have discretion arbitrarily to require an institution to increase its capital levels simply because the institution has a concentration of CRE loans, rather requirements for additional capital should be imposed by regulation in the "risk based capital" rules currently being considered by the Agencies.

In summary, if these proposed rules regarding CRE's are adopted, community banks will be adversely affected changing the whole lending focus of banks and possibly forcing banks to shift to riskier types of lending.

McHenry Savings Bank objects to the proposals as originally submitted and submits these comments for your consideration.

Thank you for your consideration.

Sincerely

A handwritten signature in cursive script that reads "Robert L. Grammer".

Robert L. Grammer

Vice President

Commercial Loan Department