McHENRY SAVINGS BANK

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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 17th Street, NW
Washington, DC 20429

Jennifer Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th 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 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

Robert L. Grammer

Robert L. Grammer
Vice President
Commercial Loan Department