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March 16, 2006

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

Re: FDIC 2006-01, OCC Docket No. 06-01, Federal Reserve Docket No. OP-1248, OTS No. 2006-1

Dear Mr. Feldman,

As a community banker, I appreciate the opportunity to comment on the proposed guidance entitled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (Guidance). While I understand that the federal regulatory agencies have expressed concern with the high concentrations of commercial real estate loans at some institutions and in some regions of the country, I believe the proposed guidance will have a serious impact on community banks and local economies in general.

Commercial real estate (CRE) lending has been an important business line for my institution and many other banks in Massachusetts. Community banks play an essential role in creating local economic growth by providing credit to small and medium-sized businesses for construction and land development. The proposed guidance will place a significant regulatory burden on banks that have a market niche in commercial real estate loans, limiting the institution's future growth in this area and possibly forcing some banks out of the market altogether.

I am particularly concerned with the "one-size-fits-all" nature of the proposed guidance. Institutions are automatically classified as having a "CRE concentration" simply if they exceed the thresholds. Portfolio diversification or other risk mitigation procedures are not taken into consideration. At our Bank, we have a significant portion of our commercial real estate portfolio in community development loans. Our experience has been that these loans have less risk of loss than other commercial loans, real estate or not. Because real estate markets vary greatly from region to region, and even within a particular state, the agencies should focus more attention on local market conditions and the overall condition of the individual institution than generic thresholds broadly applied to all banks. Also, how were the thresholds determined? Was there supporting historical data or are they arbitrary?

The guidance encourages institutions to adopt a series of the proposed risk management principles if a CRE concentration exists. While our bank has many of these procedures in place, others will be cost-prohibitive. For instance, there are few effective stress tests available to smaller institutions. If institutions are unable to adopt these principles, some may leave the CRE market altogether. This will disproportionately affect urban areas, since the guidance exempts many of the loans made in rural areas from the threshold calculations. Many times, community banks are the only source of credit available to small business owners in these distressed areas. Forcing banks to reduce or abandon CRE lending in these neighborhoods could inhibit revitalization efforts and leave business owners with no choice but to turn to more expensive forms of credit. This would be in conflict with the Community Reinvestment Act (CRA) which encourages banks to make commercial real estate loans in these areas.

In addition, the guidance recommends increased capital levels for banks with CRE concentrations. This requirement will place a serious burden on small banks with limited opportunities to raise additional capital except through the retention of earnings. Therefore, these institutions would be forced to reduce levels of a strong earning asset in commercial real estate during a period of significantly reduced margins.

Finally, the proposed guidance comes at a time when the agencies are also proposing changes to the capital system through the Basel I-A process. Both proposals could have a significant impact on community banks, and I encourage the agencies to better coordinate their efforts in this area.

Thank you again for the opportunity to comment on the proposed guidance and for considering my views.

Sincerely,

Pamela Feingold
Senior Vice President