FIRST BANK OF THE SOUTH

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March 22, 2006

Honorable Senator Saxby Chambliss
United States Senate
416 Russell Senate Office Building
Washington, DC 20510-1005

Honorable Senator Johnny Isakson
United States Senate
120 Russell Senate Office Building
Washington, DC 20510-1004

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

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Senator Chambliss, Senator Isakson, Mr. Feldman and Ms. Johnson:

The purpose of this letter is to comment on the proposed guidance which may be issued jointly by the federal banking regulatory agencies entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices".

As a matter of background, First Bank of the South is a six hundred million dollar asset community bank headquartered in Lawrenceville, Georgia, a suburb of Atlanta. Our Board of Directors and management team have many years of experience in both banking and with the real estate market in which we operate. Having gone through the severe downturns in Atlanta's real estate markets in the mid 1970's as well as the early 1990's, we know first hand what can happen to a bank that imprudently underwrites real estate loans, fails to appropriately monitor changes in the real estate market and neglects to follow accepted risk management practices in the oversight of its loan portfolio. We are also keenly aware that the residential housing market in Atlanta has been robust for the past fifteen years and that there are currently factors present which could indicate a downturn in the market in the near to intermediate term. We see some of our banking competitors engaging in lending practices which we consider to be both overly aggressive and which could result in excessive levels of risk. We can understand why banking regulators are concerned when potential commercial real estate market weaknesses and liberal underwriting practices by some financial institutions come together with the potential to adversely impact bank earnings and capital.

Nevertheless, we are of the opinion that the proposed guidance being considered by the banking regulatory agencies is not the appropriate response to the aforementioned concerns. We feel that a "one size fits all" approach undermines the fact that bank management teams do possess varying levels of competence and understanding of the real estate markets in which they operate. Banks which have a demonstrated record of sound loan performance and risk management practices should be recognized accordingly. Real estate markets are inherently local in nature and what might be appropriate for Washington, DC may not be so for Atlanta. Requiring banks to stipulate through lending policy practically every underwriting criteria for a commercial real estate loan ignores the fact that all borrowers are different, both financially and otherwise, and banks must have the flexibility to recognize these differences in their underwriting and structuring of loans. Current regulations, including those governing maximum loan-to-values and minimum appraisal requirements, already provide broad safeguards against fundamental risks in commercial real estate lending.

In summary, we feel that the proposed additional guidance pertaining to commercial real estate lending, while well intended, is not needed. Rather, banking regulators should continue to evaluate a bank's loan underwriting policies, risk management practices and capital adequacy on a bank by bank basis.

Very truly yours,

Glenn S. White

Glenn S. White
Chief Executive Officer