BANK OF CANTON

Our interest is in *you.*

March 24, 2006

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

Dear Mr. Feldman:

I am writing this letter to express my concern regarding the proposed Concentration in Commercial Real Estate Lending, Sound Risk Management Practices as a promulgated by bank-regulatory agencies. Although elements of the proposal reinforce proper sound safety and soundness management many of which we employ and support, the proposed concentration to capital guidelines do not seem to reflect the actual risk characteristics of these diverse portfolio segments that comprise these asset categories. Recognizing the complexity of managing and assessing risk within the industry, the proposed introduction of a concentration to capital formula fails to distinguish between different segments of loans that fall within these asset categories. The rules as proposed do not differentiate between speculative loans for office buildings versus speculative loans for single-family residences, loan unwritten at loan to values below supervisory guidelines versus loans at or above supervisory limits, large loans versus small loans, commercial real estate mortgages that have paid as agreed for 5 years versus new loan originations, or local market conditions versus national market conditions. Obviously, there are a myriad of factors to consider in assessing the risk of a particular loan portfolio. I strongly suggest that the traditional safety and soundness exam that allows careful and detailed review of portfolio characteristics and management practices is the best way to measure individual bank and overall industry risk.

The consequences of the proposed guidelines will negatively impact individual banks, the industry, and the overall economic growth in certain geographic areas resulting in fewer more expensive choices for consumers. Banks may have to consider redeploying assets into commercial and industrial loans, additional residential real estate exposures or investment portfolios creating a new set of risks and performance characteristics for the industry. The intent of the proposed rules is to regulate banks without the experience level to properly underwrite and manage the risks associated with commercial and construction lending. I wholeheartedly agree with the intent but consider the proposed rules as an inferior substitute for sound underwriting and portfolio management provided by very experienced and properly trained credit professionals. Ultimately these proposed regulations not only will have the above-mentioned consequences but also may not be as effective in assessing risk as the safety and soundness review process. I appreciate the opportunity to comment on the proposed regulations and ask that you either continue to rely on the exam process, which has served the industry so well or propose new regulations that take into account the different risk profiles that exist within these broad lending categories.

Sincerely,

Stephen P. Costello, EVP

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