840

FIRST
INTERNATIONAL
BANK & TRUST

April 5, 2006

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

Re: Proposed Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (OCC Docket No. 06-01; Federal Reserve Docket No. Op-1248; FDIC; OTS No. 2006-01)

Dear Mr. Feldman,

First International Bank & Trust welcomes the opportunity to comment on the Proposed Guidance–Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices issued by the FDIC, OCC, FRB, and OTS.

First International Bank & Trust firmly opposes the Proposed Guidance-Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

The existing regulations on real estate lending standards (*Interagency Guidelines for Real Estate Lending Policies*: 12 CFR part 365 and appendix A) and safety and soundness (*Interagency Guidelines Establishing Standards for Safety and Soundness*: 12 CFR part 364, appendix A) provide banking regulators with powerful supervisory tools to deal effectively with unsafe practices and unsound concentrations in commercial real estate lending. The present approach allows management flexibility by banks, and supervisory judgment based on actual conditions. Regulators should continue to address CRE management problems bank by bank, not by broad brush across the banking industry.

The proposed guidance adds additional scrutiny to banks with CRE loans exceeding the proposed thresholds of 100% and 300% of capital without regard to their underwriting standards, risk management practices and capital levels. The talented field examiners and regional supervisors working for the FDIC should be allowed to continue examining banks utilizing all elements of the CAMELS ratings system. Over reliance on the arbitrary thresholds in the proposed guidance eliminates the seasoned judgment of bank examiners and bankers from the examination equation. The Agencies should apply existing guidance on a case-by-case basis to address any problems in those banks not engaging in CRE lending responsibly.

100 N. Main, P.O. Box 607, Watford City, ND 58854-0607 (701) 842-2381 Fax: (701) 842-4147 www.firstintlbank.com

The proposed guidance would allow the banking regulators to require banks to increase their capital levels simply because they exceed the proposed thresholds of 100% and 300% of capital. The agencies should not have the discretion to arbitrarily require a bank to increase its capital levels under these circumstances. Appropriate capital levels should be determined based on a thorough analysis of the individual bank. All factors should be considered when making a determination that a bank has sufficient capital, not just an arbitrary standard.

The proposed guidance also calls for banks to compare their underwriting standards for individual property types to secondary market underwriting standards. Banks with standards that are more lenient will be required to provide justification and document long-term plans for their credits. This plain vanilla approach to CRE lending limits lender judgment, diminishes the real value of a community banker, and will negatively affect the economic opportunities of small businesses and their communities.

The proposed guidance does not take into account the geographic diversification that bankers have incorporated in their CRE loan portfolios by virtue of establishing bank branches in multiple states and regions within each state. The widespread geographic distribution of CRE loan collateral in multiple states plays a significant role in our risk management process.

It is highly probable the proposed guidance will cause banks to rethink the manner in which they serve their communities. Regulatory guidance should not chase banks from a business line where we understand the market and risks. Diverting bank resources into other business lines will have a negative impact on competition in even the lowest-risk segments of the CRE market and on the availability of CRE credit in local markets.

The proposed guidance suggests vague requirements for management information systems and monitoring of the CRE portfolio. There appears to be no attempt in the proposed guidance to scale the regulatory response to the size of the bank, or the composition of the CRE portfolio. The "one-size fits all" approach is not consistent with other regulatory initiatives in examination and supervision.

Thank you for the opportunity to comment on this important issue.

Sincerely,

Stephen L. Stenehjem
Chief Executive Officer
Chairman of the Board