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Filed via E-mail

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Re: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05-21; **OTS** Docket No. 2006-01; **Proposed Interagency Guidance on Concentrations in Commercial Real Estate**; 71 Federal Register 2302; January 13, 2006.

Ladies and Gentlemen:

The Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Office of Thrift Supervision (the "Agencies") have proposed an Interagency Guidance on Concentrations in Commercial Real Estate ("Guidance") that raises the requirements for risk management by banks and savings associations that are deemed to have a concentration in commercial real estate ("CRE").

We are a two-bank holding company with total assets of $330 million located in the Midwest. Our largest bank is $300 million and is nationally chartered in Iowa. Our other bank is a state chartered bank in Minnesota and a Federal Reserve Bank member. We rely heavily on commercial and commercial real estate lending for our growth, profits and to help our communities grow. While not all banks have a high CRE concentration, many community banks do rely heavily on this type of business.

With our two different charter types we have had the benefit of experiencing oversight of the loan portfolio from the perspective of the O.C.C., the F.D.I.C., the Federal Reserve Bank and the Minnesota State Department of Banking. We have found all regulators to be very responsive and focused on the growing concentration of CRE, not only in our banks but throughout the Midwest. From our experience the regulators are already providing the necessary oversight and examination of this growing concentration in community banks. In actuality, we have benefited from this increased emphasis as they have provided suggestions and recommendations to improve our monitoring and management of CRE loans. To suggest that the proposed Guidance is necessary infers that the existing examination and review process is deficient which is simply not the case.

It is our belief that the proposed Guidance imposes significant new requirements particularly on community banks like ours. Our concerns are summarized below:

1. Most importantly the Guidance threatens the ability of community banks to fund CRE loans, which is the life blood of helping our communities grow.

2. The Guidance automatically requires any bank with a high concentration of CRE loans to hold significantly higher levels of capital. This requirement doesn't even consider the overall quality of the individual bank's loan portfolio.

3. The Guidance also suggests that banks with a high level of CRE loans should maintain a higher level of reserve for loan losses. Again, this requirement doesn't even contemplate the underlying loan quality.

4. Regulatory burden continues to grow under this proposal. Bankers will need to invest a significant amount of time and money to counter the assumption that the bank has become unsafe as a result of simply serving their communities. Time and money that would be better spent monitoring and managing the overall loan portfolio and lending relationships.

5. There are several definitional issues with the proposed Guidance. Various types of loans are lumped into the definition of a CRE loan without any attempt to distinguish the different levels of risk. The results may artificially indicate a bank has a high risk concentration of CRE loans.

6. It is our experience that regulatory oversight on CRE lending has already expanded and that the system of oversight to ensure that banks are operated in a safe and sound manner is functioning. To mandate additional Guidance on CRE lending is simply not needed and is burdensome to both banks and regulators.

In conclusion, it is our opinion that this Guidance should not be issued. CRE lending is vital to the continued growth of our communities and to community banking. It is our opinion that this proposal is a serious threat to the future of our company and all community banks. This effort to create a "one size fits all" Guidance dilutes the value of the existing effective oversight by our bank regulators and examination teams. Instead, regulators should focus on those banks that individually need additional oversight. The current system of oversight has worked effectively for decades. Let's not create additional regulatory burden and artificial rules that are simply not needed.

Thank you for the opportunity to provide comment on this proposed Guidance. Should you have any questions about my comments, please feel free to contact me.

Sincerely,

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