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Sent via email to Comments@FDIC.gov

April 13, 2006

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

Re: Proposed Interagency Guidance on Concentrations in Commercial Real Estate; 71 Federal Register 2302, January 13, 2006.

Ladies and Gentlemen:

Thank you for the opportunity to comment on the proposed CRE guidance.

While we appreciate the concerns over the growth in real estate lending in recent years, we are uncomfortable with the "one size fits all" standard you appear to be setting in the 100%/300% loans to capital concentration ratios and loan monitoring/reporting requirements. We believe this approach presumes all banks are using the same underwriting standards and applying the same policies to their borrowers. While our construction loan portfolio has grown in recent years, we have walked away from numerous deals that did not meet our underwriting standards, and left them to competitors with lower standards. Using the same "trigger" ratios and monitoring/reporting requirements for all banks ignores numerous underwriting differences including:

- Does the bank primarily lend only to builders with many years of experience who have been through prior industry downturns or to anyone who comes in with a set of building plans?
- Does the bank lend to builders with sound finances and the resources to withstand many months of sluggish sales, or to those with minimal net worth and liquidity?
- Does the bank, as a matter of strongly enforced policy, require the personal guarantees of the principals of closely held builder entities, or does it allow the borrower to just walk away?
- Has the bank made numerous real estate loans at its legal lending limit, or does it hold its maximum loans to significantly lower house limits?
- Are the projects the bank is financing huge development tracts with high "spec" exposure before any sales or contracts are in place, or does it limit

its exposure to projects with much lower numbers of units and/or requirements for pre-sales and mortgage commitments?

Clearly, the potential risks to the bank are quite different depending on the answers to those questions and capital requirements should not be the same for all.

Finally, regardless of what is adopted in the final version of this guidance, we strongly suggest a reasonable effective date be included. Recently, proposed changes in the composition of certain items in Call Reports were postponed until March 31, 2007 to allow banks sufficient time to adjust their loan gathering and reporting systems. Some of these postponed changes relate to categories to be used in the CRE guidance to calculate the benchmark ratios (e.g. owner occupied, construction loans/lines not secured by real estate, etc.). It is logical to expect that the effective date of the proposed CRE guidance should correlate to the effective date of the Call Reports used to calculate those ratios.

Very truly yours,

Robert J. Nicols
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