ROCKLAND TRUST

April 13, 2006

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

*Via e-mail to Comments@FDIC.gov*

Re: Proposed Interagency Guidance on 'Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices'

Dear Mr. Feldman,

We are writing to you to provide our comments on the proposed interagency regulatory guidance entitled 'Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices'.

Rockland Trust is a $3.0 billion community bank with our headquarters located in Rockland, Massachusetts and our geographic footprint covering all of Southeastern Massachusetts. At Rockland Trust, we have been quite successful in growing our business over the last 10+ years. Our success has been fueled by the strength of our reputation in the marketplace and our capacity to provide the level of service required to foster loyalty and trust in our relationships with our customers, especially amid the market changes brought about by the merger and acquisition activity that has occurred among our mostly larger peers. In fact, we have built our corporate philosophy around a phrase that we have trademarked "People do business with people®", an approach which is consistent with a key tenet of prudent lending that is "know your customer".

Like many community banks in the $1 billion to $10 billion asset range, Rockland Trust is active in both commercial real estate and construction & development lending. We have benefited from the relative strength in these markets over the past several years, both in terms of portfolio growth and favorable credit quality. Hence, we take great interest in the proposed interagency guidance.

It is difficult to argue that real estate markets are neither cyclical nor volatile. In fact, we believe that any market can experience volatility when the fundamental conditions of such markets undergo any sort of change, be it economic, demographic, social, regulatory, etc. We agree that any prudent commercial real estate lender should have in place risk management practices which enable the lender to have the ability to understand the fundamentals supporting their respective markets and the ability to understand and manage their portfolio exposures to those market fundamentals. Where we disagree lies in the prospective approach suggested by the guidance.

We believe that an institution's risk management practices should be commensurate with the risks that an institution accepts with full consideration given to its resources and constraints. In our opinion, the proposed guidance is quite arbitrary in its approach to identifying and measuring the level of concentration risk for which the proposed risk management practices or actions would be prescribed by the regulators.

One cannot gauge accurately the underlying risk of a portfolio simply by taking a generic grouping of loans entitled "commercial real estate" and then subjecting it to a defined limit relative to capital. The designation of loans as "commercial real estate" is a much too broad a characterization of an asset class. We see many different facets of risk to the extent that any two or more randomly selected portfolios of "commercial real estate" loans could exhibit very different risk profiles.

Consider the analogy of several investors whose net worth is solely represented by portfolios of "marketable securities". Suppose investor A's portfolio consisted of technology stocks, while investor B's portfolio was 100% invested in U.S Treasuries and investor C's portfolio was a diversified, balanced mix of stocks and bonds carefully selected and hedged to minimize downside correlations. For each investor, 100% of his or her respective net worth can be viewed as concentrated in a single asset class, which might be identified as "marketable securities".

Does this mean that each investor has taken on an excessive level of risk via an asset concentration? Perhaps one could argue the point. But, clearly, the risk profiles are vastly different for each investor and the amount of time and level of attention that each investor would need to devote to monitoring and managing his or her respective portfolio in order to protect its value is not necessarily equal. To suggest that each investor undertake the same defined degree of diligence may be appropriate for investor A, but may not be applicable for investors B or C. Without knowledge of the composition, the diversification, the strengths, the weaknesses and the correlations of the underlying assets within a portfolio, one cannot accurately weigh risk in a concentration.

We understand the agencies' concerns and we respect deeply the spirit and intent of the proposed guidance. As experienced bankers, we are well aware of the consequences that weak underwriting and inadequate capital have wrought in past market downturns and we know of no banker who would like to relive such events! We believe that the majority of bankers has recognized that there is value in establishing sound risk management practices. As an industry, we believe that substantial progress has been made towards fortifying risk management practices. Moreover, the level of sophistication, even among smaller banks, is ever improving. We are confident that the same can be said for the risk management practices in place at Rockland Trust.

The application of the proposed standards to every bank that meets or exceeds the proposed, targeted capital ratios without regard to either the inherent risk in the underlying assets or the effectiveness of an institution's risk management practices has significant limitations and may yield unintended consequences. This exceedingly prescriptive approach could cause disproportionate and undue burden on some institutions. In turn, this could become detrimental to those communities which an institution serves in that your suggested approach and the institutions' response to it could inhibit a community bank's ability to make loans which, on balance, may be quite safe and sound.

With regard to the issue of capital adequacy, while it is the agencies' prerogative to define risk weights for regulatory capital requirements, we believe that the suggestion that an institution with a commercial real estate concentration must "recognize the need for additional capital support" needs further clarification. Specifically, we would like to see more detail in this section. That detail could illustrate the regulators' expectations, perhaps, including some hypothetical examples of the utilization of "stress testing and other quantitative and qualitative analysis" in assessing capital adequacy. Again, we are concerned with the potential for unintended consequences resulting from the proposed guidance and we would like to understand better its possible implications.

We would like to thank you for the opportunity to submit our comments to you. We ask that you please give consideration to addressing our concerns, as well as those expressed in comments from others who have taken time to respond to the agencies as they move forward with the development of this guidance.

Sincerely,

David M. O'Brien
Vice President
ROCKLAND TRUST COMPANY