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April 13, 2006

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

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn: No. 2005-56

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Ave, NW
Washington, DC 20551

Office of the Comptroller of the
Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219

Re: Guidance on Commercial Real Estate

To Whom It May Concern:

This letter is written in support of the ABA's comment letter raising objections to the recent draft Guidance on commercial real estate (CRE) lending concentrations. If adopted, this Guidance could have a major negative impact on many banks and their communities.

I agree with the points made by the ABA, which are as follows:

1. The new definition of concentration in CRE combines several different types of CRE lending without proper effort to distinguish the variations in risk – variations due to size, structure, geography, and other elements in the composition of a bank's portfolio. This approach finds concentration where they do not really exist. Too many banks will be deemed to have a high concentration in CRE.

2. Bankers will need to invest significant time, money, and effort to counter the assumption that they have an unsafe "concentration" of real estate loans.

3. The Guidance strongly suggests that a bank deemed under the new measures to have a concentration in CRE should be required to hold significantly higher levels of capital without a genuine demonstration of higher risk.

4. Similarly, the Guidance suggests that banks with large portfolios of CRE should have significantly higher reserves for loan losses. Such increased reserves should follow only if a portfolio in fact presents a higher level of risk.

5. Community banks will be particularly hard hit by this Guidance, facing higher costs than their competitors in making commercial real estate loans, an important part of the business of community banks.

6. Perversely, the Guidance could result in banks in some cases refusing real estate collateral for loans in order to reduce CRE concentrations.

7. The inevitable consequence of the Guidance would be to reduce community banks' ability to fund CRE in their communities.

In addition to the foregoing points made by the ABA, please consider the following:

8. The comment regarding additional loan loss reserves goes completely against the current FDIC rules. Current FDIC rules dictate that the ALLL follow GAAP (SFAS 5 and SFAS 114). However, if the regulatory bodies want additional reserves in the allowance for CRE loans, they are in practice defining regulatory accounting principals for the ALLL that are different from GAAP. We could eventually end up with 2 sets of books, RAP and GAAP, because the SEC is becoming much more aggressive in scrutinizing bank's reserves.

9. Further, with our capital levels, it will be unfavorable for us to have to classify real estate loans in a higher risk category. It will lower our risk based capital ratios. This is also somewhat contradictory with other FDIC proposals such as BASEL II, which break out loans in greater detail and actually lower the capital requirements for CRE loans.

I strongly feel that regulators should use their existing supervisory and enforcement tools to address risky concentrations at those specific banks where they find them, rather than impose this new program on the entire industry.

Sincerely,

GREGORY SCHREACKE
E.V.P. / CFO