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DAVID M. KING
President

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

ATTN: Comments

Mr. Feldman,

I would like to comment on the recent proposal of an Interagency Guidance on Concentrations in Commercial Real Estate ("Guidance") that raises the requirements for risk management by banks that are deemed to have a concentration in commercial real estate ("CRE"). It is my concern that this Guidance may have some level of adverse impact upon the banking industry and local economies largely due to its "blanket" nature. More specifically:

1) The definition of concentration in CRE combines several different types of CRE lending without distinguishing variations in risk due to size, structure, geography, etc... which could lead to the finding of concentrations where they do not actually exist.
2) Banks will spend an inordinate amount of time, money, and effort trying to prove they do not have an unsafe "concentration" of real estate loans.
3) If deemed under this new definition to have such a CRE concentration, a bank might be required to hold significantly higher levels of capital and have significantly higher reserves for loan losses, both without a genuine demonstration of higher risk.
4) Community banks would be especially hard hit by this new measure as they will be facing higher costs than their competitors in making commercial real estate loans potentially resulting in some banks simply not making loans secured by real estate in order to reduce CRE concentrations.
5) All in all, the Guidance could ultimately lead to a reduction in community banks' ability and willingness to fund commercial estate in their markets.

One alternative to issuing such a "blanket" guidance would be to address truly risky asset concentrations at those specific banks where they exist rather than impose such rules on the entire industry in a one-size-fits-all manner. I would also encourage a close discernment of what is ultimately defined as "risky" and not classify all commercial real estate loans as such just because of their CRE secured nature.

Thank you very much for this opportunity to comment on this proposed regulation and for your consideration of the impact of such regulation particularly on community banks.

Sincerely,

David M. King

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Cc: Mr. Wayne A. Abernathy, American Bankers Association

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