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April 13, 2006

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

RE: COMMERCIAL REAL ESTATE LENDING

Dear Secretary Feldman:

At Desert Community Bank, we have read with great concern the proposed guidance on Concentrations in Commercial Real Estate Lending and as community bankers, wish to provide some comments. In addition I have reviewed the same information and concur with the Bank recommendations. Please include us as part of the dissenting vote.

The proposal, as written, will hamper our ability to provide these lending services to our customers, primarily the owners of the small to medium-sized business, who are core to the economic health of our community.

Specifically:

- The setting of arbitrary thresholds[1] for real estate exposure, which if exceeded would subject the bank to heightened scrutiny and possibly higher capital requirement levels, would not only discourage us from providing well supported and documented real estate secured loans, but would drive us to look for other areas or investments to deploy our funds. For example, to sustain revenue growth we might be forced into lines of business which are historically more risky (i.e., consumer lending, credit cards, leasing) and more dependent on efficiencies of scale (i.e., consumer loans, working capital loans). In addition, history has demonstrated that scarcity of real estate loans in a community could very well cause the very depreciation in real estate values that concern the agencies.

- The regulatory agencies are understandably attempting to avoid a repeat of the real estate crisis that devastated the thrift industry. However, regulatory guidelines to mitigate the underlying causes of that crisis such as excessive advance ratios, undisciplined appraisers, equity interests and fraud, are already in place.

- The setting of arbitrary limits for a geographic area most likely would limit our ability to make "in-market" loans, which is the primary reason for the existence of community banks.

- Setting underwriting criteria to a "secondary market" standard would be difficult, based on the limited number of secondary markets available to community banks and would also severely limit the judgmental aspects of our loan approvals. Better said, if all banks must underwrite to a specific standard, is there a need for community banks? We are relationship bankers who know

[1] The proposal places the responsibility for setting portfolio hold limits on bank directors. Since the agencies have already taken a position on concentration thresholds and setting such limits is an arbitrary exercise, it is unreasonable to believe the directors will deviate from the arbitrary guidelines already established by the agencies.

our customers. We urge the regulatory agencies to consider such "soft information" rather than making commercial real estate loans a commodity.

- It seems ironic that we may be required to maintain higher levels of capital because our portfolio is concentrated in the type of loans that the bank is best equipped to underwrite. Logic would dictate that higher capital levels would be necessary for banks that make loans outside of their expertise or those loan types that have historically demonstrated higher industry net loss experience. To force banks to have higher capital ratios merely because they have concentrations in commercial real estate loans, one of a community bank's core competencies, seems misguided.

- We agree that "owner occupied" loans should be excluded from this guidance. However, a clear definition of "owner occupied" should be rendered that includes properties that are owned by principals that may be operating through another entity such as a limited liability company.

- MIS and stress testing are clearly good tools for the management of a loan portfolio, where the loans are underwritten using a model. However, in community banking where judgmental decisions are made based on our intimate knowledge of the market and the borrower (and the guarantors), stress testing would be driven down to the loan level, making it cost prohibitive.

In summary, we believe that much more thought must go into this proposal to make it effective, reasonable, and equitable for all banks - most specifically community banks. Arbitrary limits on loan type concentrations, geographic concentrations and monitoring standards will create more stress in the banking system as well managed banks would be forced to move away from making quality real estate loans in the communities they serve. Indeed, it may force these banks into other lending types or market areas, which most likely will heighten the risk profile of the bank.

Sincerely,

Jerry and Glenda Page