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April 6, 2006

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

Dear Mr. Feldman:

The concept of limiting concentrations in Commercial Real Estate is well intended. It is my belief each agency sees concentrations in individual banks that they believe to be risky. It appears the regulation unfortunately would limit all banks to control a few. I understand that regulators wish to prevent losses and I concur with this philosophy. However, creating an environment that would discourage all lenders by creating rules which would make such stringent conditions that credit would be less available to most borrowers, may control risk but would send several types of credit to the mega banks where the too big to lose philosophy of deposit insurance will kick in.

Increased board oversight is a good thing as long as it does not lead to micromanagement. The line is a fine one.

Strategic planning based on potential losses or a slow repayment in commercial lending is present practice. Most banks do it frequently. The question is will the regulators control the definition of the scenarios? Will the regulators determine back testing? Is back testing truly helpful or rather a guide as in asset liability modeling?

The underwriting standards are prudent until you get to the feasibility category. Most community banks will be at a competitive disadvantage if all borrowers must submit feasibility studies to qualify for credit.

Rating systems are prudent. So are outside review of the rating systems.

Aggressive portfolio risk management is common place unless second guessed by regional biases not appropriate for local markets.

Management Information Systems can help but might be better served based on overall lending criteria. If a bank does not make a fixed rate loan over five years, should it be required to invest in software tracking such?

Securitization of loans into other markets is not applicable for community banks. We would love to swap rates, but it is cost inefficient at certain sizes and should not be mandated.

Capital levels' being increased is confusing in light of the Basel accord. The biggest banks can avoid building capital, but profitable, credible lenders will be stopped. It does not make practical sense despite the logic that has created the discussion to begin with.

Construction excess concentrations I agree should be limited. Restricting lending over 300% of capital is not defensible if the lending is done within controls that have been shown to work. If you fear the few then change for the few, but please do not change everyone to limit the minority.

Construction lending and maybe C&I lending limits do demand attention. Asset based Commercial Loans with customer income statements reviewed annually do not demand the detailed analysis you request. The controls already exist. The effect of your proposal will be to push business to the mid-regionals and national chains that will agree create expensive infrastructure. Smaller but conscientious lenders will be forced out, either by regulation directly or by the price of compliance. Either way, what you started to address as good public policy has become overkill and limiting to the smaller markets.

Thank you.

Sincerely yours,

Joel G. Crowell

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