954

April 13, 2006

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 1-5
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FIRST NATIONAL BANK OF THE ROCKIES®

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

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street &n Constitution Avenue, NW
Washington, DC 20551
Reg.comments@federalreserve.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: No. 2005-56
regscomments@ots.treas.gov

Re: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05-21; **OTS** Docket No. 2006-1; **Proposed Interagency Guidance on Concentrations in Commercial Real Estate**; 71 Federal Register 2302; January 13, 2006.

Greetings:

As a loan officer for First National Bank of the Rockies I am sensitive to issues that affect my ability to meet my customer's needs without undue regulation but while paying attention to the need to avoid inappropriate risk. Please accept this letter from me as support for the perspective presented in the attached letter from Peter Waller, Chairman, President and CEO of First National Bank of the Rockies.

Sincerely,

Braden K Ross

Braden K. Ross
Loan Officer

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Greetings:

First National Bank of the Rockies is a nine-branch community bank operating in the northwestern quadrant of the state of Colorado with total assets of approximately $320 Million. Only one of our branches is located within a SMSA. Our market is largely rural in nature. We are concerned with the proposed interagency guidance on CRE for several reasons. First, we believe the proposed thresholds for concentrations relative to capital are too low. Traditionally, real estate lending has been one of the least risky types of loans available to community banks and losses in general on real estate loans have been low. Non-bank competition has taken many types of lending away from community banks. For example, the non-taxed banks that call themselves credit unions have taken much of the automobile financing from community banks due to the pricing opportunities available to them because of their tax exempt status. The captive finance companies can play games with their pricing because their sales affiliates can "buy down" the rate charged to the consumer with funds added to the sales price of the vehicle. Second, the proposed definition of a concentration in CRE groups several different types of CRE loans together without distinguishing the different levels of risk posed by the different categories of loans. For example, loans to consumers for the construction of a residence or pre-sold residential units are treated the same as other more risky commercial real estate loans. Third, Community bankers will have to invest considerable amounts of time and money in order to counter the assumption that they have an unsafe concentration in CRE loans. Fourth, Community banks with large portfolios of CRE loans should not have to hold significantly higher levels in their ALLL, unless the CRE loans, in fact, produce a higher level of risk. Fifth, the proposed guidance appears to be influenced by the capital standards imposed by the Basel Capital Accord strongly suggesting that community banks with "concentrations" in CRE be required to hold significantly higher levels of capital than other banks.

We strongly urge the Agencies to not take a one-size-fits-all approach, but rather apply the guidance on a case by case basis for banks that are not prudently administering CRE lending and do not have appropriate processes that allow the risks to be prudently managed.

Community bankers in general are very knowledgeable about the real estate values and other factors including absorption rates, demand for various types of real property, etc. in their respective markets. In fact, many time examiners point out the strength of our knowledge of our markets in relation to appraised values that sometimes extend market trends too far out in time. Additionally, community banks, particularly those operating in rural or small markets, have to take what the market gives them in terms of types of loans in demand. Here in Colorado real estate lending represents a large portion of our loan demand as the demand for housing and retail locations is growing due to the demographic shift of people locating here due in part to "life style" issues. While we recognize the need to manage the risks inherent in "concentrations" in CRE loans, we encourage you to regulate on a case by case basis in order to allow those banks with good process and risk management to not be subjected to a one-size-fits-all regulatory approach that could have the unintended consequence of stifling lending to a very important segment of our economy.

Sincerely,

Peter Y. Waller
Chairman, President & CEO