From: Keith Crews [keithc@unitedbankofunion.com]
Sent: Friday, April 07, 2006 5:05 PM
To: Comments, Regs
Subject: CRE Guidance, Docket Numbers: 06-01, OP-1248, 2006-1

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April 7, 2006

Comments to OTS

Dear Comments to OTS:

As a community banker, I would like to share with you my thoughts on the proposed guidance, Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

Most community banks are underwriting their CRE loans conservatively. They carefully inspect collateral and monitor loan performance and the borrower's financial condition. Community bankers lend in their communities and are close to their customers. Thus they are positioned well to know the condition of their local economy and their borrowers.

The proposed threshold limits of CRE loans to capital are too restrictive and do not take into account the lending and risk management practices of individual institutions. They also do not recognize that different segments of the CRE markets have different levels of risk. This proposal paints all commercial real estate with the same broad strokes. Thus, the thresholds may not give an accurate picture of the risk in an institution.

Community banks already hold capital at levels above minimum standards and should not need to raise additional capital because their CRE loans exceed the proposed thresholds. Regulators should consider the bank's allowance for loan losses and current capital levels along with risk management practices.

The CRE portfolios of many community banks have grown in response to the needs of their community. If community banks are pressured to lower their CRE exposures, their ability to generate income and more capital will be constrained and they will lose good loans to larger competitors. More importantly, the credit needs of many smaller communities may go unmet.

The proposal's recommendations regarding management information system reports will be particularly costly and burdensome to community banks; the costs will most likely out weigh the benefits for smaller banks.

For these reasons, I urge you not go forward with the guidance as it has been proposed. Instead, regulators should use the regulatory tools already in place to identify and address CRE lending risks where they truly exist and abandon the proposed thresholds that are too restrictive and misleading.

Sincerely,

Keith Crews
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