GLOUCESTER COOPERATIVE BANK

April 11, 2006

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

To Whom It May Concern:

As a community banker, I appreciate the opportunity to comment on the proposed guidance entitled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (Guidance). While we understand that the federal regulatory agencies have expressed concern with the high concentrations of commercial real estate loans at some institutions, we believe the proposed guidance will have a serious impact on the community banking industry.

Commercial real estate (CRE) lending has been an important business line for my institution and we would like it to continue to be a growth area for the bank in the future. We play an essential role in providing credit to small and medium-sized businesses for construction and land development. The proposed guidance will place a significant regulatory burden on us and other banks and could limit our future growth in this area and possibly force us to restrict lending to qualified customers thereby restricting their opportunity to borrow money from a small community bank.

I am particularly concerned with the "one-size-fits-all" nature of the proposed guidance. We are automatically classified as having a "CRE concentration" simply if we exceed the thresholds. Portfolio diversification or other risk mitigation procedures are not taken into consideration. Because real estate markets vary greatly from region to region, and even within a particular state, the agencies should focus more attention on local market conditions and the overall condition of the individual institution than generic thresholds broadly applied to all banks. Although it is a very competitive market we continue to lend prudently.

In addition, the guidance recommends increased capital levels for banks with CRE concentrations. This requirement will place a serious burden on us and others, who rely on earnings as our sole source of new capital. We could be forced to reduce levels of a strong earning asset in commercial real estate during a period of significantly reduced margins. We are at a competitive disadvantage as unregulated competition and non bank

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competitive and not have more restriction placed on our industry. It is also interesting to note that the guidelines do not affect credit unions who also seek to do more commercial business. Our banking system continues to remain strong however it seems that small to medium size banks are being over burdened by more and more paper which in the long run will force us consolidate and leave the small customer with large banks who don't feel that they are profitable.

Finally, the proposed guidance comes at a time when the agencies are also proposing changes to the capital system through the Basel I-A process. Both proposals could have a significant impact on community banks, and I encourage the agencies to better coordinate their efforts in this area.

Thank you again for the opportunity to comment on the proposed guidance and for considering my views as a small community banker. If you need any additional information, please feel free to contact me at 978-283-8200 extension 229.

Sincerely,

Mark E. Grenier
Vice President & Commercial Loan Officer