April 12th, 2006

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Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Attention: Docket #: 2006-01

RE: Concentration in Commercial Real Estate Lending

Ladies and Gentlemen:

Since 1980, FirstBank Florida's (formerly UniBank) primary mission has been to provide our customers with a vast array of financing options to promote homeownership in the areas we serve. We primarily originate and invest in residential (one-to-four units) real estate loans and Multifamily (5 or more dwellings) for rental to those in the community that can not afford home ownership. At March 31st, 2006, loans held for investment that were secured by first liens against residential one-to-four units and multifamily (5+ dwellings) represented approximately 53% of total assets.

Moreover, we believe many loans should not be considered commercial real estate loans in any event. Specifically, loans to finance 1-4 family residential construction where the contractor already has a contract for the house (a custom home contract as opposed to "spec housing") should be excluded. Likewise, loans made directly to consumers for the construction of a home should be excluded. There are minimal risks associated with such loans, and what risks exist are based on "consumer" rather than "commercial" reasons. In addition, we believe that the 100% capital threshold is much too low. **It should be raised to 200% to the extent there is any threshold at all.** Also, we believe that commercial real estate loans with a loan-to-value ratio under 70% should not be counted toward the thresholds, and also loans with net operating income providing a debt service coverage ratio of 1.25x or higher should be excluded, as the risk of loss on such loans is minimal or non-existent.

In particular, we believe the agencies, and more importantly, community banking, would be much better served if the agencies applied existing guidance to problem banks rather than subjecting all banks (the vast majority of which pose no problem at all) to complicated and burdensome new requirements. In particular, we believe that fears associated with isolated geographic areas or a handful of banks are no justification for strangling an entire industry with new regulatory burdens. In short, the agencies can use existing law and their supervisory and examination authority to require those banks that pose unique risks to take the appropriate steps to address those risks. It is simply unnecessary to harm all banks in attempting to cure a few.

Community banks would be at an unfair disadvantage compared to larger regional banks that have more opportunity to be more geographically diverse and to lend to more diverse business customers. Also, the cost associated with this proposed regulation will place a burden upon community banks.

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Rather than setting arbitrary thresholds, we urge that the guidance focus on the individual institution to be examined, the experience and expertise of the management team in the particular types of commercial real estate lending being conducted, the thoroughness of loan underwriting and risk management procedures, the controls in place at the institution and the conditions in the economic market being served by the institution. If the agencies continue to deem thresholds necessary, then those thresholds need to correspond to the actual risk inherent in the portfolio. Loans with lower risk characteristics should be excluded from those thresholds. Among the loans that should be excluded are **multifamily loans**, pre-sold residential construction and construction to permanent loans with either firm takeouts or established cash flows that provide sufficient debt service coverage.

We recognize the risks that concentrations in commercial real estate can pose and the importance of banks exercising strong risk management practices utilizing appropriate analytic and monitoring tools. We have, however, several concerns regarding the proposal. These are:

- The proposed guidance does not recognize that risk varies among CRE sub-markets and satisfactory history performance by individual banks on Commercial Real Estate Loans.
- The proposed guidance would place an especially heavy burden on community banks.
- The proposed guidance could impair banking industry competitiveness in commercial real estate lending.
- Supervisory tools already exist, and are being used to deal with unsafe banking practices, such as unsound concentrations, in any line of bank business. (Refer to OTS 560.30 – General lending and investment powers of Federal Savings Associations).
- The proposed guideline will impose higher financial costs to borrowers of multifamily (5 + dwellings) properties that will affect low to moderate income family renting an apartment because the investor-owner will pass the increase in financing costs to renters.
- Our economy will be detrimentally affected.

We appreciate your consideration of our views.

Sincerely,

FirstBank Florida

Fernando G. Argibay
Senior Vice President
Chief Credit Officer

José B. Valle
President

cc: Members of the Board of Directors