From: Bill Wyckoff [bwyckoff@labettebank.com]
Sent: Monday, April 10, 2006 5:24 PM
To: Comments, Regs
Subject: CRE Guidance, Docket Numbers: 06-01, OP-1248, 2006-1

Bill Wyckoff
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April 10, 2006

Comments to OTS

Dear Comments to OTS:

Re: Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices

We operate a small rural bank in Kansas as almost all community banks; we view commercial real estate loans very conservatively. Inspection of collateral and ongoing monitoring of loan performance and the borrower's financial condition are just a part of our operations. I know all of my commercial customers, their operation, and in most cases their families.

An enormous number of real estate lending standards, regulations and guidelines, already overburdens us. Examiners currently have the necessary tools to enforce them and address unsafe and unsound practices, so the proposed guidance is unnecessary. Regulators should address CRE management problems bank by bank, not by broad brush across the banking industry. If some bank has a problem, address it with that bank. Why continue the spiral of unnecessary over regulation?

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. Thus, the thresholds may not give an accurate picture of the risk in an institution.

We already hold capital at levels well above minimum standards and should not need to raise additional capital because 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 proposed guidance is unfairly burdensome for community banks that do not have opportunities to raise capital or diversify their portfolio to the extent that larger regional banks can. In a rural area we already compete with the government through Farm Credit Services.

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,

Bill Wyckoff
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