From: W. Lee Mikell [lmikell@fnbosceola.com]
Sent: Thursday, February 16, 2006 7:33 AM
To: Comments, Regs
Subject: Proposed Guidance for Commercial Real Estate Lending

W. Lee Mikell
920 N John Young Parkway
Kissimmee, FL 34741-4914

February 16, 2006

William Magrini

Dear William Magrini:

Thank you for taking the time to read my message. I'm writing to you because I believe it is important to comment on the Guidance being proposed in respect to commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in Florida and as such is an extremely important part of bank lending.

I understand the need for sound lending and sound loan portfolios. However; I am concerned that the Guidance proposed will have a negative overall effect on my institution, my industry and the economy as a whole.

My concerns are not so much with the individual practices set out in the Guidance, but rather with the way the Guidance is imposed. The industry has had experience in the past with examiners being unable to impose even existing regulations on a consistent basis (Bank Secrecy Act/Money Service Businesses.) The proposed Guidance contains certain thresholds and a laundry list of practices and requirements. I am concerned that the rules of the game will change with each reading of the rules.

Specifically there are several points we would like for the Guidance to make clear. First, that in looking at concentrations there will not be a one size fits all response. Each institution has a different history, different controls, different portfolios, different markets, and different management. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

Second, we hope the Guidance will make it very clear that if the concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution.

Third, the Guidance should expressly indicate that its purpose is not to discourage commercial real estate lending. Rather, the Guidance should be to encourage safe lending activities.

If the Guidance is imposed in a mechanical or arbitrary manner or if it is intended to generate a policy shift discouraging commercial real estate lending then I fear grave consequences. Secured real estate lending has been the bread and butter of banks in Florida. If such loans are not available then will we have to look to other types of credits which historically have been more risky?

Perhaps most important, should the message be perceived that commercial real estate lending has great regulatory risk, then such loans will significantly diminish. This will lead to a downturn in our economy that will create systemic problems for banks far beyond the risk of commercial real estate loans. Additionally, should banks be driven out of the commercial real estate lending arena a huge vacuum will be left to be filled by those that are unskilled in this manor of lending. This would leave the legislators and regulators open to criticism that the regulatory environment prohibited the professionals from protecting the market place from armatures and carpetbaggers.

I thank you for your consideration of these concerns and comments and hope that the final Guidance will address them in a meaningful way.

Sincerely,

W. Lee Mikell
407-847-3800