Kaiser Federal BANK
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March 22, 2006

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

Via fax: (202) 906-6518

Re: Proposed Guidance – Concentrations in Commercial Real Estate (CRE) Lending, Sound Risk Management Practices
71 FR 2302 (January 13, 2006)

Dear Sir or Madam:

Kaiser Federal Bank appreciates the opportunity to comment on the Proposed Guidance - Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices ("Proposed Guidance") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, the "Agencies").

While Kaiser Federal Bank recognizes the importance of prudent commercial real estate lending, we have serious concerns about the impact of the proposed guidance on our ability to serve our communities' CRE needs. The guidance seems to impose additional regulation in a mechanical and arbitrary manner.

The threshold tests included in the proposed guidance ignore the actual risk factors associated with our particular portfolio and guidance requiring an increase in capital levels simply because of a concentration of CRE loans is unwarranted. We consider commercial real estate lending, and especially multi-family lending, to be vitally important to the communities we serve, and we believe that any guidance that imposes requirements in a mechanical or arbitrary manner could lead to policy shifts in the lending practices of institutions such as Kaiser Federal Bank that could discourage CRE lending.

We believe that the Agencies should avoid imposing rigid, arbitrary threshold tests that ignore the actual risk factors associated with a particular loan or mortgage portfolio as different types of commercial real estate have very different risk profiles. If the Agencies deem it necessary to impose threshold tests, they should exclude multi-family loans with established cash flows that provide sufficient debt service coverage.

We also believe that appropriate capital levels should be determined based upon a thorough analysis of each individual institution and that any requirement for an institution to hold extra capital should be imposed by regulation in the "risk based capital" rules currently being considered by the Agencies and not by this proposed Agency guidance.

In conclusion, the proposed changes are not warranted.

We appreciate the opportunity to comment on this proposal. Thank you for considering our views.

Dan Cano
Chief Financial Officer
Kaiser Federal Bank

Nancy Huber
Chief Credit Officer
Kaiser Federal bank