From: Carlos Menendez [cmenendez@intercreditbank.com]
Sent: Thursday, February 16, 2006 9:32 AM
To: Comments, Regs
Subject: Proposed Guidance for Commercial Real Estate Lending

Carlos Menendez
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February 16, 2006

William Magrini

Dear William Magrini:

The purpose of this letter is to comment on the Guidance being proposed with respect to commercial real estate lending. Commercial real estate lending is an extremely important part of the economy in Florida and it is an extremely important part of hte lending activity of Intercredit Bank as well as of many other community banks in Florida.

We all understand the need for sound lending and sound loan portfolios and it is our primary concern to have the best possible portfolio in our banks. I have concerns, however, that the Guidance as announced will have a negative overall effect on my institution and the economy as a whole.

The Guidance is oversimplistic by imposing a requirement based on a multiple of the capital of the bank which does not differentiate between the different quality of borrowers and transactions. The proposed Guidance contains a number of practices and requirements which makes it extremely cumbersone and expensive to administer.

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 of our institutions has a different history, different controls, different portfolios, and different markets. Also, different loans have different quality of borrowers with different cash flow situations and different types of liquidity to back up the transactions. This qualitative difference is what makes it impossible to set a standard based solely on the total amount of real estate loans in the books of the bank in relation to capital.

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. It is necessary to take into account the quality of the different loans in the portfolio and not merely the relationship between a type of loan and capital.

If the Guidance is imposed in a mechanical or arbitrary manner, or if it is intended to effect a policy shift discouraging commercial real estate lending, it will produce a serious contraction of bank lending and in the real estate market. 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, if the message is perceived to be 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.

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,

Carlos Menendez
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