April 13, 2006

Filed via E-mail

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Comments@FDIC.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: No. 2005-56
regs.comments@ots.treas.gov

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551
Regs.comments@federalreserve.gov

Office of the Comptroller of the
Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219
regs.comments@occ.treas.gov

RE: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05-21; **OTS** Docket No. 2006-01; **Proposed Interagency Guidance on Concentrations in Commercial Real Estate**; 71 Federal Register 2302; January 13, 2006.

Dear Ladies and Gentlemen:

As three of the largest professional associations representing real estate appraisers in the U.S., we realize that you have received well over one thousand comments relating to your proposed guidance on commercial real estate concentrations. The vast majority of those are from banks or real estate-related entities concerned with the intent of the guidance. We, on the other hand, write to you today from a different perspective: stressing the importance of market analysis when managing commercial real estate loan portfolios.

It is apparent the banking regulators recognize that sound market analysis is vital to understanding the risk of a bank's portfolio. As the proposed rule states, "Market analysis is particularly important as an institution expands its geographic scope of operations into new markets…Management should ensure that the institution's CRE lending strategy and portfolio risk assessments integrate the findings of its market analysis and evaluation."

Real estate appraisers are market analyst experts. The very nature of their research requires a thorough comprehension of property types, geographic impacts, market trends and the like. Thus, we suggest a minor yet important addition to the first paragraph, third sentence of the section *Market Analysis* (bold words ours): "Institutions should utilize multiple sources for obtaining market information such as **real estate appraisers**, published research data, monitoring new building permits, and maintaining contacts with **appraisers**, local contractors, builders, real estate agents and community development groups."

Our organizations, representing 25,000 appraisers and providing superior education open to all 80,000 appraisers in the country, are leaders in market analysis education. Not only do we anticipate that the agencies will be amenable to our suggested change to the proposed guidance, but we also wish to take this opportunity to offer ourselves as resources to the agencies in their goal of improving their banks' risk assessment practices and monitoring of CRE loans. Whether it's directly educating bank personnel or simply having our members available for this type of work, appraisers are willing and able to perform the job of, as the proposed guidance states, "provid[ing] management with sufficient information to determine whether revisions to its CRE lending strategy and policies are necessary to respond to identified market trends, and to form the basis for its stress testing."

We thank you for the opportunity to comment on Concentrations in Commercial Real Estate. If we can be of further assistance, please contact Bill Garber, Director of Government Affairs of the Appraisal Institute, at 202-298-5586 or bgarber@appraisainstitute.org.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers