Filed by Email

April 12, 2006

Comptroller of the Currency
250 E. Street, SW
Mail Stop 1-5,
Washington, DC 20219
Re: Docket No. 06-01
regs.comments@occ.treas.gov

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

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th & Constitution Ave., NW
Washington, DC 20551
Re; Docket No. OP-1248
regs.comments@federalreserve.gov

Regulations Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW
Washington, DC, 20552
Attention: No. 2006-01
regs.comments@ots.treas.gov

Re: Proposed Interagency Guidance on Concentrations in Commercial Real Estate

Ladies and Gentlemen:

Country Club Bank, NA (CCB) of Kansas City welcomes the opportunity to comment on proposed guidance, *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*. The Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and Office of Thrift Supervision have released proposed guidance that would require banks with concentrations in commercial real estate (CRE) lending to tighten risk management practices and potentially increase capital. The proposal contains thresholds for determining whether or not an institution has a CRE concentration.

CCB is a strong ($475MM) community owned and operated financial institution that operates in nine branch locations throughout the Greater Kansas City metropolitan area. Our bank was formed in 1953 and is currently owned by a Kansas City family that has dedicated its career in promoting strong, safe, and local economic growth and development. We are a bank with a diversified loan portfolio but certainly feel strongly about continuing and expanding our presence as a prudent commercial real estate lender in our local community.

CCB strongly urges the banking agencies not to go forward with the proposed guidance in its current form. We view the proposal as overly broad, defining concentrations of risk in a manner that can not assess the true risk in a bank's CRE lending. We are greatly concerned that we will need to rein in our CRE lending, if the guidance goes forward in its current form, though we do not believe that the risk in our portfolio warrants it. If we must decrease our CRE exposure, we will decrease our ability to meet the lending needs of our growing thriving community. CCB will suffer financially and so will our community.

CCB questions the need for the new guidance; we believe that the existing body of real estate lending standards, regulations and guidelines is sufficient to guide our bank through any weakness in the CRE market.

We have found our local OCC regulators to be very consistent in their examinations of our note case. Our bank has learned a great deal from these exams and "take to heart" areas to focus and improve upon. CCB feels our track record of strong asset quality speaks to this focus. We believe that examiners should identify and address CRE lending and risk management problems, bank by bank.

While CCB has already employed many of the recommended risk management principles, we view the recommendations regarding stress testing and management information system (MIS) improvements as costly, burdensome and unnecessary for community banks like ours that already closely monitor their loans and customers.

For these reasons, CCB strongly urges the banking regulators not to go forward with this flawed guidance as is proposed.

CCB is also concerned that this latest proposal comes on top of other recent regulatory proposals aimed at the real estate sector. While the entire real estate sector has been very strong in recent years and historic cycles demonstrate that it can turn down, we are concerned that one message after another from the regulators could in itself set in motion a significant credit contraction that we believe is unwarranted. We would suggest that regulators should focus on individual institutions and address their specific weaknesses through the examination process.

We urge the regulators to abandon the proposed concentration thresholds and look at an institution's credit risk and risk management practices on a case by case basis. CCB believes that the proposed threshold tests to determine whether or not an institution has a concentration in commercial real estate loans are seriously flawed and do not give a clear picture of risk. They do not take into account the lending and risk management practices of individual institutions. They do not recognize that different segments of the CRE markets have different levels of risk.

CCB has a history of underwriting and managing CRE loans in a conservative manner, requiring higher down payments or taking other steps to offset credit risks and concentrations. We carefully inspect collateral and monitor performance and the borrower's financial condition. CCB lends in our community and is close to our customers. We believe that we do a better job monitoring these loans than do large nationwide lenders because we are more likely to work one-on-one with the customer. We are positioned well to know the condition of our local economy and our borrowers. We invest heavily in quality knowledgeable lenders that know their customer and community.

The proposal's recommendations regarding management information system reports will be particularly costly and burdensome to us; the costs will most likely out weigh the benefits for a bank our size. We find the guidance regarding stress testing of the portfolio and changes to the management information systems called for by the guidance to be particularly burdensome.

Finally, we urge the banking regulators to not arbitrarily require banks to hold more capital (or require them to decrease CRE lending) simply because they pass certain thresholds of CRE loans to capital. CCB believes the suggestion that we would need more capital if we are identified as having CRE concentration does not recognize the fact that risk-based capital standards can and should address risk based on asset risk. Guidance pertaining to capital should be consistent with existing capital rules and guidance.

The allowance for loan losses is another means of protecting an institution that should be a consideration in determining the effects of potential concentrations on capital adequacy. However, banks should not be required by their regulators to increase their reserves based on arbitrary tests for the amount of CRE loans, a measure that may or may not be a true indicator of loan losses.

CCB strongly urges the banking regulators not to go forward with the guidance as proposed. Regulators should instead rely on existing rules, regulations and guides for management of risks in CRE lending to ensure banks take appropriate steps to protect their safety and soundness when they are experiencing high levels of lending growth, particularly in industries such as CRE where history demonstrates that significant downturns can occur.

CCB objects strongly to the proposed thresholds for determining CRE concentrations as we do not believe that they are reliable measures of the true risk in an institution. We have taken significant steps since previous CRE downturns; we underwrite loans conservatively, have better staff resources and higher capital and thus are in a better position to withstand weakness. Because we lend in limited geographic areas and typically have a close customer relationship, we are in a good position to closely monitor our CRE loans and economic factors impacting them.

The banking regulators should address problems on an individual bank basis, rather than issue broad "one size fits all" guidance that may cause community banks to curtail their CRE lending when it is not necessary for safety and soundness. If a broad message is sent across the banking industry that absolute levels of CRE lending are inherently unsafe and unsound, banks will respond and cut back on CRE lending, which will unnecessarily curtail their earnings ability and the growth of their communities.

We urge the regulators not to go forward with the guidance as proposed and instead send a clear message to banks and their examiners that growth in CRE lending can occur, consistent with safety and soundness, when banks take the steps to manage it properly.

We appreciate the opportunity to comment on the proposed guidance.

Sincerely,

Paul J. Thompson
President & CEO

Michael T. McGannon
Chief Lending Officer