1st EAST SIDE SAVINGS BANK

March 8, 2006

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
ATTN: Docket No. 2006-01

RE: Comment on Proposed Guidance – Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices

Dear Sir or Madam:

First East Side Savings Bank ("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 joint regulatory agencies.

The Bank, established in 1920, is a $132.1 million federally chartered thrift located in Chicago, Illinois. The Bank also has a full service branch facility located in Tamarac, Florida. The Bank has a significant single-family construction lending program in Southeastern Florida.

The Bank began making single-family residential construction loans in Southeast Florida in the mid-1980's. In the early 1990's, as a result of significant consolidation in the banking industry in Florida, the Bank experienced significant growth in this portfolio, primarily because the large financial institutions were not focused on the builders that would build two to three houses per year. By the mid-1990's, the Bank had established itself as a premier lender to these small builders. As a result of the success of the Bank's construction lending program, the Bank opened a full service branch facility in Tamarac, Florida in 2003.

Since the initiation of the single-family construction lending program, the Bank has recognized not only the significance of the program, but also has understood the inherent risks associated with this type of lending. Since the Bank was, it has maintained a conservative attitude toward all types of lending. This attitude carried over to the

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construction-lending program which has extensive controls and monitoring programs in place, and regular Board of Director review.

There is clear evidence of the effectiveness of the Bank's control and monitoring features. First and foremost, in the 20 years that the Bank has been making single-family residential construction loans, the Bank has never experienced a loan loss. In addition, historically, delinquencies have been minimal. This experience is directly related to control features and monitoring process that the Bank has relating to this program.

The Bank is very concerned about the negative impact the Proposed Guidance would have, not only on the Bank, but on community banks as a whole. While there is no question that financial institutions must have safe and sound lending practices, establishing arbitrary, one size fits all guidelines could significantly impact the operations of conservative, well run community banks as well as restrict the availability of credit to small builders.

Regulatory authorities currently have the authority to restrict unsafe and unsound lending practices they observe at individual institutions. Since all regulatory agencies currently possess this authority, the imposition of additional, apparently arbitrary guidelines could be construed to represent a policy shift to restrict commercial real estate lending and lessen the value of community banks.

Should the Proposed Guidance be enacted, community banks, like us, would be the most impacted. By forcing higher capital ratios or restricting this type of lending, the Bank would be forced to reduce the single-family construction loan portfolio, which would significantly reduce its future earnings. In addition, the forced reduction in a successful lending program could result in additional risk to the Bank in that it would need to consider different types of lending products that possess higher risk. This same analysis would be preformed by most community banks, and I believe that most community bankers would be forced to reduce their exposure in this portfolio.

This scenario would also impact the small builder, who may find it difficult to obtain construction financing. Again as indicated earlier, large financial institutions typically focus their efforts on large builders. Any loss of construction financing to small builders would have a severe negative effect on the housing industry.

In conclusion, regulatory authorities currently have enforcement powers to restrict unsafe and unsound lending practices on a case-by-case basis. This system is functional and effective. There does not appear to be any need to add additional burden to institutions that serve the housing industry.

Thank you for your consideration of these comments. If you have any questions, please contact me at (773)731-1200.

Sincerely,

Brian Kiley
Executive Vice President