OKLAHOMA BANKERS ASSOCIATION

We make bankers better!

ROGER M. BEVERAGE
PRESIDENT AND CEO

April 12, 2006

Robert E. Feldman
Executive Secretary
ATTN: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D. C. 20429
Comments@FDIC.gov

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

Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th & Constitution Ave. NW
Washington, D. C. 20551
Regs.comments@federalreserve.gov

Office of the Comptroller of the
Currency
250 E Street, S.W., Mail Stop 1-5
Washington, D. C. 20219
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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.

Good Morning:

As a former regulator who well remembers the problems associated with real estate lending more than twenty years ago, today's concerns among banking regulators about real estate concentrations of any kind are understood. But the proposed guidance would likely be more costly than necessary, particularly for the overwhelming majority of banks in Oklahoma. We think it should be scrapped and a new effort made to focus on specific problems, that deal with speculative concentrations tied to the assumption of an ever-increasing housing market.

Banks in Oklahoma today are well-capitalized and they know their customers and their communities better than anyone else. The '80's experience had a profound impact on the banking profession in our state, and as a result it is much better equipped to withstand the inevitable stresses of a vibrant economy.

We already have real estate lending standards, regulations and guidelines in place, and they're working. Member banks are required to maintain appropriate policies and procedures on their lending practices as well as appropriate loan-to-value ratios. Our banks are also subject to loan limitations under both state and federal law, and are already subject to close supervision by regulatory authorities.

The proposed guidance would add uncertainty and confusion to the existing regulatory framework by lumping together all types of commercial real estate loans as a single market sector. We think that, while the guidance may be appropriate some large or more complex banking organizations, it is unnecessary and would prove to be very costly for most of our smaller, community banks.

In Oklahoma, there aren't many community banks outside the metropolitan area that engage in lending to residential real estate developers, or engage in condominium construction or multi-family construction lending. They also don't do much general real estate development, retail shopping center or hotel/motel lending. That's just not the nature of their business, but we suspect such lending may be the focus of the proposed guidance.

Even though there isn't much of the type of lending activity in our state that may have been the genesis for regulatory concern, the proposed definitions would still apply and could trigger several adverse consequences for member banks.

Specifically, the biggest objection we have is the "one-size-fits-all" approach included in the definition of a "concentration" of commercial real estate (CRE). Simply stated, one size doesn't fit everyone when it comes to CRE or any other type of lending, particularly when we're talking about smaller community banks.

The median size bank in Oklahoma is approximately $70 Million in total assets. If there are no distinctions made in the definition of "concentrations" these smaller banks will have to spend more money, more time, and more effort chasing a problem that doesn't exist in their markets.

Most of our member banks are exceptionally conservative in their approach to lending, regardless of whether it involves commercial real estate, small businesses generally, agriculture and food production or retail lending. They are doing an effective job today managing their entire loan portfolio, and any exceptions are likely dealt with in the process of examining the bank. To add yet another layer of regulatory cost and effort to their operation is simply not necessary.

The "one-size-fits-all approach" by definition cannot reflect the individuality of our member banks. Their needs, personnel, expertise, demands, approaches to lending, and the extent of their community involvement are all different.

We are not suggesting that ***no*** guidance is appropriate. We're just saying the proposed guidance is too strict. It ignores any differences in the size of a bank's CRE loan portfolio, the inherently different risk management practices that are already in place.

Examiners are much better equipped today in Oklahoma than they were twenty years ago. What works now, and works best, is to look at each bank individually, without lumping them all into the same basket of additional regulation and brand them as 'undercapitalized because they bump up against a definitional trip-wire like the proposed definition of "concentration".

The proposed guidance will force community bankers to hold more capital if examiners conclude it has a "concentration" as defined, simply because the definition presumes the bank's loan portfolio is riskier. While that may be, it's also possible that it does not mean the bank is at greater risk than its competitor that does not have such a "concentration" because of existing practice, management oversight and experience.

On behalf of the banks in Oklahoma, we ask that you simply withdraw the proposed guidance and reformulate it in a manner in which the real areas of concern – *i.e.*, genuine high-risk concentrations are the focus of the guidance, and that other CRE loans are outside of its parameters.

Sincerely,

Roger M. Beverage
President & CEO
Oklahoma Bankers Association