CITIZENS SOUTH
Banking Just Right For You

May 23, 2006

Regulation Comments
Chief Counsel's Office
OFFICE OF THRIFT SUPERVISION
1700 G Street, NW
Washington, DC 20552

Re: *Concentrations in Commercial Real Estate; Sound Risk Management Practices*
71 Fed. Reg. 9,2302 (January 13, 2006)

Ladies and Gentlemen:

Please accept this letter as my comments in response to the interagency guidance entitled *Concentrations in Commercial Real Estate; Sound Risk Management Practices.* Although the comment deadline has passed, I wish to express my concerns about the guidance to you, as our primary federal supervisory agency. I understand that the Federal Reserve and other agencies are continuing to accept input about the requirements with respect to concentrations in commercial real estate. I am concerned primarily with the thresholds for determining whether a financial institution has a commercial real estate (CRE) concentration.

The established thresholds are too low for most conservatively managed thrifts and would have a disproportionate impact on the community-orientation of the thrift industry. Imposing the thresholds could curtail CRE lending in many areas of the country and affect real estate values and community development efforts. I would favor tighter restrictions on speculative commercial real estate lending (particularly in coastal or resort areas) which could prove problematic, rather than lumping all types of commercial real estate lending in the same bucket. For these reasons, I request that you consider withdrawing or substantially amending the guidance. Thank you for the opportunity to comment.

Very truly yours,

CITIZENS SOUTH BANK

Kim S. Price
President and Chief Executive Officer

cc: North Carolina Bankers Association

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