

March 17, 2006

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

Dear Sir or Madam:

As a banker I appreciate the opportunity to comment on the proposed guidance relating to Concentrations in Commercial real Estate Lending and Sound Risk Management Practices issued by the Office of Thrift Supervision. This proposed guidance will impose additional regulation on Edgewater Bank in a purely mechanical manner. The proposed guidance adds additional scrutiny to banks with concentrations in commercial real estate loans with regard to their underwriting standards, risk management practices, and capital levels. Under the proposed guidance Edgewater Bank would be deemed to have a concentration in commercial real estate loans if only one of the following tests are met:

- Total reported loans for construction, land development, and other land represent 100% or more of Edgewater Bank's total capital, or
- Total reported loans secured by multi-family and non-farm residential properties and loans for construction (whether pre-sold or speculative in nature), land development, and other land represent 300% or more of Edgewater Bank's total capital.

The proposed guidance would allow the Office of Thrift Supervision to require Edgewater Bank to increase its capital level simply because of this concentration and without regard to the Bank's other risk management practices.

I believe that commercial real estate is vitally important to our lending program and to our community in strengthening the Michigan and Berrien County economy. Any guidance that imposes additional requirements in a mechanical or arbitrary manner could lead us to change policy and in our lending practices that would discourage commercial real estate lending.


The Office of Thrift Supervision should not impose rigid, arbitrary threshold tests that do not balance against the actual risk factors associated with a particular loan. Thresholds are not appropriate for the reason that different types of commercial real estate have vastly different risk profiles. There are significant differences between loans for land development, raw land, speculative residential, and commercial construction. These risk factors deserve to be evaluated individually and not under a mechanical set of guidelines that fail to account for the unique nature of each type.

The proposed guidance would allow the Office of Thrift Supervision to require that Edgewater bank increase its capital because of an identified concentration. The Office of Thrift Supervision should not have the discretion to arbitrarily require us to increase our capital under this circumstance. Appropriate capital levels should be determined based upon a thorough analysis of the Bank and all factors should be included when making the decision that the Bank has sufficient capital, including the risk associated with our lending practices.

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Edgewater Bank is the last remaining community bank in our marketplace, which is dominated by super-regional and national banks making access to credit relating to commercial real estate much more difficult. I appreciate the opportunity to comment on, and firmly oppose, the proposed guidance.

Thank You,



William C. Peterson  
Executive Vice-President / Chief Lending Officer