From: Patrick McQueen [pat@privatebank.com]
Sent: Thursday, March 16, 2006 9:44 AM
To: Comments, Regs
Subject: Comment on Proposed Real Estate Lending Guidance

Patrick McQueen
President
The PrivateBank (Michigan)
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March 16, 2006

Regulation Comments Office of Thrift Supervision
Docket No. 2006-01

Dear Regulation Comments Office of Thrift Supervision:

RE: Proposed Guidance-Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices 71 FR 2302 (January 13, 2006)

Dear Sir or Madam:

Re: Request for comments on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

I do not necessarily agree that all bankers need more supervisory scrutiny in this area. The premise that having high and increasing concentrations
of commercial real estate loans on a bank's balance sheet is automatically a cause for concern and reason to have greater supervisory scrutiny is not necessarily reasonable. If the various regulatory agencies have "observed" some institutions taking on inordinate risks, I believe that the agencies already have sufficient remedies to deal with those situations. Are these "concentrations" alone a real threat to the health of the banking community and the banking system? I doubt it. In the request for comment, background section, there is a comment regarding the fact that recent examinations have disclosed, among other things, rapidly expanding commercial real estate lending by some institutions without establishing adequate controls and reporting processes. I believe that the Agencies should deal with those institutions on a case by case basis, not "install" higher capital level requirements for all banks that have such concentrations.

The idea of reinforcing existing guidelines for real estate lending and safety and soundness is very reasonable and I applaud the Agencies for doing that.

Identifying institutions with concentrations in commercial real estate lending is a good idea; however, it is no better an idea than identifying banks that have a high concentration in credit card lending, consumer

lending, residential mortgage lending or any other type of lending. The next thing we will see will be the Agencies "slice and dice" other elements of risk; for example, a bank in Michigan may be required to maintain a higher capital level than a bank in another state because the Agencies have "observed" that Michigan institutions are more vulnerable to certain markets and risks.

Are we to have a multi variable matrix to determine capital levels? The variables could be loan type, location, age of institution, etc., etc., etc. To suggest different capital standards only for one "variable", concentration in commercial real estate lending, is not the answer.

I recommend that the Agencies do reinforce existing guidelines and use existing regulatory and enforcement tools to deal with unsafe and unsound banking practices. I do not recommend having higher capital standards for banks with higher commercial real estate concentrations.

Thank you

Patrick M. McQueen

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