



April 13, 2006

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, DC
Attention No. 2006-01
regs.comments@ots.treas.gov

RE: Comments on Proposed Guidance and Risk Management Practices for Institutions with Concentrations in Commercial Real Estate Lending. Docket No. 2006-01

To Whom It May Concern:

Ripley Federal Savings Bank is a small \$85 Million mutual savings bank located in southwestern Ohio. We currently have a sizeable portfolio of loans that may fall into the commercial real estate category under the proposed guidelines. Many of these properties are agricultural and further clarification is necessary before final figures could be established on this.

My questions include: Is a 100 acre farm that is the residence of the owner classified as residential or commercial? Are owner occupied construction loans commercial? Are loans for residential rental properties of the same risk as speculative built market properties?

While some development loans may be for speculative purposes, as any rental type property is until a history of occupancy and income has become established, most development in Ohio is a result of growth. This growth is needed in our rural counties to have a viable economy.

It would appear from our perspective that smaller institutions would be hit with the largest burden in proportion to risk while larger banks would be able to continue to finance projects with little regard to loan size or capital level.

Small banks, such as Ripley Federal, have not entered lending of a commercial nature in order to be speculative but rather to serve the need in their market area. Competition for housing loans, particularly loans that would be kept in portfolio, has grown tremendously.

Commercial real estate lending has become an important market for community banks. Your analysis may be correct that CRE today makes up a larger portion of lending portfolios than it did ten years ago. As markets have evolved, captive auto finance companies and mortgage companies affiliated with realtors have taken a greater share of the auto and purchase money mortgage markets. Credit Unions have been able to use their tax-free status to great advantage in lending to the consumer. Commercial real estate is one of the markets left where bankers have a natural expertise and a competitive advantage, so CRE has become an important part of bank profitability. To make it substantially more difficult or expensive for banks and thrifts to participate in those markets will erode profits to the detriment of system safety and soundness.

The major shortcoming of the proposal is that it is based on a one-size-fits-all approach. Another reflection of this rigid approach is the fixed limitation that will trigger additional oversight and capital requirements. This test is in sharp contrast to the current guidelines for real estate, which permit the consideration of a range of factors in evaluating a bank's real estate loan portfolio.

In addition to changing the thresholds for increased regulatory scrutiny and capital, the regulators need to consider more carefully the make up of the pool of commercial loans considered within the proposal. The regulators should consider deleting from the analysis construction lending that already has permanent take out financing arranged, particularly pre sold residential construction and owner occupied new home construction.

One of the reasons I am so concerned about this proposal is that the regulators are proposing to impose costly compliance new burdens on the industry, without any corresponding reduction in risk or other benefit to the system.

The list of risk management practices required for us that cross the two-tier threshold is extensive, and includes, among other things (1) Additional involvement by Board of Directors and the appropriate committees; (2) Revision of the bank's strategic plan; (3) Updating loan policies and underwriting standards, permitting only limited, documented exceptions; (4) Significant new requirements for risk rating CRE exposures; (5) Identifying concentrations, and performing ongoing stress testing and market analysis; (6) Developing new management information systems that can divide and stratify concentrations to be analyzed by geography, industry and borrower. These would require either additional staff or outsourcing which is a big expense for small institutions.

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We respectfully request the banking agencies to withdraw the proposed guidelines. Present guidelines and practices, including capital levels, board oversights, appraisal guidelines, loans to one borrower, etc., when used to focus on any example of high risk, should be adequate to address community bank risk to the financial system.

Respectfully,

RIPLEY FEDERAL SAVINGS BANK

/s/ Danny R. Grooms

Danny R. Grooms
President/CEO

DRG/ms