

From: J. Russell Greene [rgreene@gbof.com]
Sent: Monday, March 20, 2006 2:51 PM
To: Comments, Regs
Subject: Proposed Guidance for Commercial Real Estate Lending

J. Russell Greene
2055 Palm Beach Lakes Blvd
West Palm Beach, FL 33409-6501

March 20, 2006

William Magrini

Dear William Magrini:

I am president and chief executive officer of Grand Bank & Trust of Florida, West Palm Beach, Florida, a \$390 million community bank. Because we are located in one of the fastest growing areas in the United States, development and construction of homes and commercial properties has skyrocketed to meet the needs of the rapidly increasing population. Commercial real estate lending is a significant activity for us as it for the majority of Florida financial institutions. Our preliminary review of the proposed Guidance indicates that we are only moderately above the thresholds. We are confident that the underwriting practices in place at our institution go a long way in mitigating the risks of commercial real estate lending. It is our opinion that most institutions operate similarly having learned the lessons of past economic cycles.

I understand the need for sound lending and sound loan portfolios. I have concerns, however, that the Guidance as proposed will have a negative overall effect on my institution and the economy as a whole.

My concerns are not so much with the individual practices set out in the Guidance, but rather with the way the Guidance is imposed. We have had experience in which examiners impose even existing regulations differently than they previously had done. The proposed Guidance contains certain thresholds and a laundry list of practices and requirements. I am concerned that the rules of the game have suddenly changed.

Specifically there are several points we would like for the Guidance to make clear. First, that in looking at concentrations there will not be a one size fits all response. Each of our institutions has a different history, different controls, different portfolios, and different markets. When those in the field determine there is a concentration any response needs to be tailored for the specific circumstances.

Second, we hope the Guidance will make it very clear that if the concentration thresholds are exceeded it does not automatically require a capital increase. Any increase should be in the context of the circumstances of the particular institution. And there should be a sufficient allowance of time for the institution to reduce its level of such loans in lieu of additional capital if that is the course it elects.

Third, the Guidance should expressly indicate that its purpose is not to

discourage commercial real estate lending.

If the Guidance is imposed in a mechanical or arbitrary manner or if it is intended to effect a policy shift discouraging commercial real estate lending then I fear grave consequences. Secured real estate lending has been the bread and butter of banks in Florida. If such loans are not available then will we have to look to other types of credits which historically have been more risky?

Perhaps most important, if the message is perceived to be that commercial real estate lending has great regulatory risk, then such loans will significantly diminish. This will lead to a downturn in our economy that will create systemic problems for banks far beyond the risk of commercial real estate loans.

I thank you for your consideration of these concerns and comments and hope that the final Guidance will address them in a meaningful way

Sincerely,

J. Russell Greene
561-615-5050