April 13, 2006

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW.
Washington, DC 20429
Comments@FDIC.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW.,
Washington, DC 20552
Attention: No. 2005-56
regs.comments@ots.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov

Office of the Comptroller of the
Currency
250 E Street, SW., Mail Stop 1-5
Washington, DC 20219
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Re: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05- 21; **OTS** Docket No. 2006-01; **Proposed Interagency Guidance on Concentrations in Commercial Real Estate**; 71 Federal Register 2302; January 13, 2006

Ladies and Gentlemen:

Thank you for the opportunity to offer some observations on the proposed regulatory guidance regarding concentrations in commercial real estate lending. I am writing on behalf of Central Bancompany, a $7 billion bank holding company based in Jefferson City, MO. Our management is in support of the objectives of the proposed regulation, but we have reservations about the breadth and impact of the proposal and therefore do not support it in its present form. For the reasons outlined in the American Banker's Association (ABA) response letter dated March 30, 2006, the considerations offered under separate cover by Mr. Kenneth Littlefield (our company's senior risk management officer), and for the reasons outlined below, we respectfully recommend that the proposed regulation be substantially amended or withdrawn.

My responsibilities for Central Bancompany include oversight of the credit review, internal audit, compliance, and information security functions.

Before addressing our concerns with the proposal, let me say a few additional words in support of the regulatory objective, which is to help banks better manage commercial loan credit risk. We have been in the financial services business long enough to remember the Savings & Loan crisis of the early 1980's, the economic problems in the "oil patch" in the mid-1980's, the decline in real estate values after a change in the tax laws in 1986, and the softness in commercial real estate markets in the early 1990's. In our view, well-designed regulatory guidance that would minimize the fallout from the inevitable economic events which caused these “crises” would be in everyone’s best interest.

We also support the effort to give more specific direction with respect to concentrations of credit. Our company began monitoring concentrations a number of years ago with the use of the old SIC coding classification system. In 2002, we converted to the new NAICS codes for commercial and mortgage loans. Using these codes, we produce quarterly concentration of credit reports for use by our affiliate banks. The reports show not only current concentrations, but also five-year trends for each concentration and a detailed listing of all loans making up the concentration. That information is used at the bank and holding company level to manage the risks associated with concentrations.

Furthermore, we agree that our exposure as an industry to real estate related risks has increased over the past several years.

This support in principle for the regulatory objectives is tempered with our concern about the impact of the regulation as proposed. As noted, please see the ABA comment letter and that of Mr. Littlefield. I would offer the following additional observations.

1. There appears to be a lack of empirical support for the regulatory proposal. The examiners are using Call Report data (1A0 + 1D0 + 1E0) to calculate real estate loans as a percent of capital, but then narrow the regulatory guidance to a subset of those loans by excluding loans secured by owner-occupied properties. The regulators do not appear to have accumulated a body of data indicating the ratios that would result from the narrower definition of real estate loans. In effect, they are saying, “We do not know if there is a problem, but we think there may be, so we plan to issue this new regulation.” We think it inadvisable to issue new regulations with such little data to support the need.

2. Our next comment is more of a question than a reservation: Should construction loans for properties that will be owner-occupied be excluded from the group of loans making up the 100% threshold? For example, we recently made a large loan to a newspaper publishing company for a new building to house the company’s printing presses. The Call Report code for this loan was 1A0, but the risk is more closely related to the risks in the newspaper industry and the risk profile of the individual borrower than it is to the risks traditionally associated with new construction.

For a time, there was a vigorous internal debate within our company about the most appropriate classification of loans such as this for purposes of concentration of credit reporting. Were they construction loans? Or were they loans to a particular industry? Eventually, the proponents of the latter view won for two reasons:

- Most of the losses associated with construction lending have come from properties that will produce rental income; and

- The risks for these types of loans are more closely associated with the industry risk than with construction risk.

We encourage examiners to take the same approach and exclude loans for the construction of properties to be owner-occupied from the regulatory definition.

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Thank you for the opportunity to provide a response to the regulatory proposal. We think the regulatory objective would better be met with a narrower guidance or perhaps with existing guidance applied as needed on a case-by-case basis.

Respectfully,

Richard Popp, Sr. Vice President
Central Bancompany

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