TENNESSEE BANKERS ASSOCIATION Service Since 1890™

April 13, 2006

VIA E-mail

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 Ave, 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
regs.comments@occ.treas.gov

RE: **FDIC** (No docket ID); **FRB** Docket No. OP-1246; **OCC** Docket No. 05-21; **OTS** Docket No. 2006-1; **Proposed Interagency Guidance on Concentrations in Commercial Real Estate**; 71 Federal Register 2302; January 13, 2006.

Ladies and Gentlemen:

The Tennessee Bankers Association ("TBA") is responding to the proposal by the Federal Deposit Insurance Corporation, Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Office of Thrift Supervision ("Agencies") on Interagency Guidance on Concentrations in Commercial Real Estate ("Guidance") that raises the requirements for risk management by banks and savings associations that are deemed to have a concentration in commercial real estate ("CRE"). Many of the TBA's members are significantly involved in commercial real estate lending. This Guidance may have a significant impact upon the banking industry and, in particular, our community banks. For the reasons we will outline below, we recommend that the Agencies not issue this Guidance in its current form.

TBA appreciates the opportunity to comment on the proposed Interagency Guidance. TBA represents more than 230 financial institutions in the State of Tennessee. Our membership includes multi-regional banks and holding companies, as well as savings associations, trust companies, and small rural community banks.

Summary of TBA Views. TBA strongly urges the banking agencies not to go forward with the proposed Guidance in its current form. TBA has received many communications from community bank members regarding their concerns over the proposed Guidance. Our members are greatly concerned that this Guidance will limit their ability to support commercial development and small business. As a result, if banks must decrease their CRE exposure, not only will the bank be adversely impacted, but also the local communities which they serve will suffer financially.

TBA understands that concentrations of credit should be accompanied by heightened risk management techniques; however, the "one size fits all" approach proposed in the Guidance is not the answer. TBA recommends that instead of imposing new costs on the industry in general, the Agencies apply existing guidance on a case-by-case basis to address any problems in those banks not engaging in CRE lending responsibly. The existing body of real estate lending standards, regulations and guidelines is sufficient to guide banks through any weakness in the CRE market.

TBA echoes the concerns raised by the national trade associations, including the American Bankers Association and the Independent Community Bankers of America, regarding the Proposed Interagency Guidance. These concerns include:

1. The proposed thresholds do not capture the true risk because they do not take into account underwriting standards and risk management practices. The thresholds treat all loans within the calculation as having equal risk. This will result in too many banks being deemed to have a high-risk concentration in CRE.

2. Bankers will need to invest significant time, money, and effort to counter the assumption that they have an unsafe "concentration" of real estate loans. This places a particularly heavy burden on small community banks.

3. The Guidance suggests that banks with large portfolios of CRE should have significantly higher reserves for loan losses. Most community banks already hold capital levels well above regulatory minimums and are concerned this proposed Guidance could require them to hold even more. It would be arbitrary to require banks to hold more capital simply because they pass certain thresholds of CRE loans to capital.

4. A "one size fits all" approach, as outlined by the Guidance, could have a detrimental effect on many community banks. This Guidance may significantly reduce community banks' ability to fund CRE in their communities, resulting in an adverse impact on both the bank and the local economy.

Conclusion. For many community banks, commercial real estate lending is a very important segment of the bank's loan portfolio. To impose stricter guidelines regarding commercial real estate imposed in a "one size fits all" approach will have a significant adverse impact on many community banks. TBA urges the Agencies not to go forward with the Guidance as proposed.

TBA strongly urges the Agencies to revise the Guidance to eliminate the areas of confusion and concern that it has created for banks.

The TBA appreciates the opportunity to comment on the proposed Guidance.

Sincerely,

Timothy L. Amos
Senior Vice President and General Counsel