Union Savings Bank
A Subsidiary of U.S. Bancorp
"Financial Strength Begins With U.S."

Date: April 12, 2006

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn.: Docket No. 2005-56

Re: Proposed Guidance – Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices issued by the federal banking agencies on January 13, 2006.

Dear Sir or Madam:

Union Savings Bank (USB) is a community bank with approximately $1.5 billion in assets that serves Cincinnati, Columbus and Dayton in Ohio and Indianapolis in Indiana. Our lending efforts focus entirely on real estate, including many of the categories that are defined as commercial real estate (CRE) in the above referenced proposed guidance. In fact, USB exceeds both the 100% and the 300% thresholds as described in the guidance, and would be deemed to have a concentration in CRE if the guidance becomes final as written.

USB recognizes the increased level of risk that exists in CRE lending and that such risk should be managed appropriately. We also believe that risk varies significantly among the categories labeled as CRE within the guidance. For instance, construction/perm loans on 1-4 family collateral exhibits far less risk than a loan collateralized by nonresidential real estate with no track record of cash flow. Aggregating segments of a loan portfolio with varying risk characteristics does not provide for a meaningful analysis.

Furthermore, implementing heightened risk management practices based on such meaningless data would result in significant inefficiencies and in the end would not provide for tighter oversight of thrift organizations given the flawed approach. The risk management practices suggested in the guidance such as "portfolio stress testing" would essentially stop our ability to lend. We would have to spend a significant amount of time and money to comply with the requirements of the guidance.

USB's management has successfully managed the loan portfolio for more than twenty years as evidenced by its long track record of minimal credit losses. Our philosophy concentrates on conservative underwriting and closely monitoring our relationships with our borrowers. We pride ourselves on knowing our portfolio and being able to identify problems when and if they arise. We believe the regulatory agencies should approach their monitoring the same way by knowing their institutions and implementing a tailored approach, from institution to institution, based on the institution's size, management team, history, etc.

Given the costs of complying with the guidance, community banks will have to increase pricing on loans to maintain the same profitability, which effectively will price them out of the market relative to larger banks. Ultimately, the proposed guidance may prevent, or at least deter, community-sized institutions, including USB, from lending to CRE borrowers and for no real benefit to the institution or to the industry as a whole. The cost to implement certainly seems to exceed the benefits derived.

Respectfully submitted,

Daniel J. Vonderhaar, CPA
Union Savings Bank
Vice President of Finance and Director of Risk Management