



SPENCER SAVINGS BANK SLA

March 16, 2006

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
ATTN: Docket No. 2006-01

Re: Comment on Proposed Guidance – Concentration in Commercial Real Estate Lending, Sound Risk Management Practices.

Dear Sir or Madam:

Spencer Savings Bank is very pleased to have the opportunity to comment on the proposed guidance with respect to commercial real estate recently issued by the regulatory agencies. Spencer Savings Bank is a \$1.8 billion thrift headquartered in Elmwood Park, New Jersey, with 17 branches located in northern New Jersey.

Spencer has been engaged in the origination of real estate secured loans for over 70 years, with about 20 years in commercial real estate secured credit. We have proudly and prudently grown the loan portfolio to \$250 million in such commercial real estate credits, with a total loan portfolio of \$941 million. Spencer originates anywhere from \$50-\$100 million per year in construction and permanent loans to finance multi-family or apartment buildings, investment properties and commercial properties (office, retail, warehouse).

Spencer originates about \$20 million in community development loans on an annual basis, most of which provides apartment financing in urban areas. These funds provide desperately needed affordable housing for low-income families. Loan proceeds finance building improvements that in turn, improve the quality of life for these residents. For example, Spencer recently originated \$6 million in development financing in the city of East Orange, NJ. These funds will take empty apartment buildings and transform them into quality places to live for some 110 families. It will help rejuvenate a neighborhood into a vibrant and safe place to live. Funding for such initiatives could be jeopardized with the increased regulatory scrutiny proposed in the CRE guidance.

While we respect the regulatory agencies intentions to safeguard its member institutions, we feel that the proposed guidance is not appropriate, and provides many unintended consequences to the detriment of the industry. Additional regulatory scrutiny could unintentionally create the perception of credit tightening reminiscent of the "credit crunch" experienced in the 1990's (unavailability of credit). In effect, creating such additional burdens could cause inexperienced institutions to pursue even riskier, unsecured lending in even greater volumes.

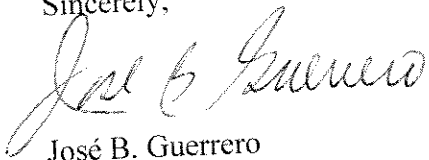
Spencer suggests that the agencies also consider the additional regulatory burden such guidance requires, which seems to contradict the agencies' mandate of reducing the regulatory burden placed upon the banking system.

In terms of a capital related requirement, we feel that there should not be discretionary authority for agencies to increase an institution's required level of capital due to a concentration of CRE loans. Such levels should be determined based upon a thorough institution-specific analysis. If ultimately decided, any such incremental capital requirement would be more appropriately addressed in the risk-based capital requirements.

Spencer's long-standing history of originating sound credits testifies to the fact that we understand credit risk and portfolio management when it comes to commercial real estate. Additional broad-brush regulatory requirements cannot and do not take the place of effective board and management oversight, appropriate to the type of lending the bank conducts.

Thank you for your consideration of these comments. If you have any questions, please feel free to contact me at (201) 703-3800.

Sincerely,

A handwritten signature in cursive script, reading "José B. Guerrero".

José B. Guerrero
President & CEO