



MEMBER FDIC

March 9, 2006

Office of the Comptroller of the Currency  
250 E Street, SW  
Public Information Room  
Mail Stop 1-5  
Washington, DC 20219  
Attn: Docket No. 06-01  
[Regs.comment@occ.treas.gov](mailto:Regs.comment@occ.treas.gov)

Regulation comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G. street, NW  
Washington, DC 20552  
Attn: Docket No. 2006-01  
[regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov)

Robert E. Feldman  
Executive Secretary  
Attn: comments/ Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
[comments@fdic.gov](mailto:comments@fdic.gov)

Jennifer Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> St. and Constitution Ave, NW  
Washington, DC 20551  
Attn: Docket No. OP-1248  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Dear Sir or Madam:

Alliance FSB<sup>1</sup> appreciates the opportunity to comment on the Proposed Guidance- Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices ("Proposed Guidance") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporations, and the Office of Thrift Supervision, (collectively, the "Agencies").

Alliance FSB will comment on issues that affect it and that it believes it has sufficient expertise and experience, specifically, Multifamily Loans.

Alliance FSB has successfully originated multifamily loans for a number of years. According to FDIC data<sup>2</sup>, multifamily loans pose no greater charge off risk than residential 1-4 family loans. In fact, according to the FDIC data from 1996 through September 2005, multifamily loans have proven to be a lower risk than 1-4 family loans for Savings Institutions, Commercial Banks and All Insured Institutions. See tables on page 2.

Alliance FSB opposes including multifamily loans into the proposed 300% of capital category as stated in the proposed regulation. Further, we contend, based upon the FDIC's own data as well

<sup>1</sup> Alliance FSB is a well capitalized \$190 million Federal Savings Bank with its Headquarters and full service office located in Chicago along with a full service office in Niles, IL and loan center located in Hinsdale, IL

<sup>2</sup> FDIC Quarterly Profile Table V-\_\_\_ Loan Performance for Savings Institutions, Commercial Banks and All FDIC-Insured Institutions -See Table on page 2



as our own experience that multifamily loans should be placed into the same category as 1-4 family loans using solely "loan to value" as the only criteria when calculating risk based capital.

Month End	Table No. 1		Table No. 2		Table No. 3	
	FDIC Insured Savings Inst Charge Offs <u>Multifamily</u>	FDIC Insured Savings Inst Charge Offs <u>Other 1-4 Fam</u>	FDIC Insured Com'l Bank's Charge Offs <u>Multifamily</u>	FDIC Insured Com'l Banks Charge Offs <u>Other 1-4 Fam</u>	FDIC Insured All Institutions Charge Offs <u>Multifamily</u>	FDIC Insured All Institutions Charge Offs <u>Other 1-4 Fam</u>
Dec-96	0.47	0.19	0.15	0.20	N/A	N/A
Dec-97	0.17	0.11	0.04	0.08	N/A	N/A
Dec-98	0.06	0.09	0.05	0.07	N/A	N/A
Dec-99	-0.06	0.06	0.01	0.11	N/A	N/A
Dec-00	-0.03	0.04	0.02	0.10	N/A	N/A
Dec-01	0.00	0.05	0.03	0.22	N/A	N/A
Dec-02	0.00	0.06	0.07	0.14	0.04	0.11
Dec-03	0.01	0.04	0.03	0.19	0.02	0.13
Dec-04	0.02	0.04	0.04	0.08	0.03	0.06
Sep-05	-0.01	0.04	0.04	0.06	0.02	0.05
Average	0.063	0.072	0.048	0.125	0.0275	0.0875

N/A = Data was not available on a consolidated basis on the FDIC website

*(The above extracted FDIC data show that in each table, multifamily loans have a lower charge-off rate than other 1-4 family, i.e. 0.063 v 0.072 in table 1)*

Further, a distinction should be made between multifamily loans verses nonfarm nonresidential properties and loans for construction, land development and other land loans.

As multifamily lending risks are already traditionally low, they have been further reduced in recent years by numerous multifamily units being converted into condominiums. That has reduced the number of multifamily buildings in highly populated markets. Those markets, including Chicagoland, have little or no land left for new construction; therefore, rental units and correspondingly multifamily buildings are in high demand.

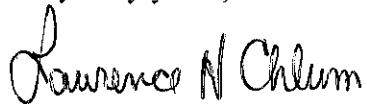
Further, as added interest rate increases are taking hold and the 1-4 family market cools, a greater number of people seeking shelter would logically be expected to rent rather than enter the purchase market. Thus, adding additional support to the multifamily segment for both rentals and re-sales.

Proposed Guidance- Interagency Guidance on Concentrations in Commercial Real Estate  
March 9, 2006  
Page 3 of 3

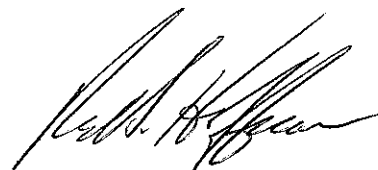
Again, Alliance FSB opposes including multifamily loans into the proposed 300% of capital category as stated in the proposed regulation.

Alliance FSB appreciates the opportunity to comment on the proposed guidance.

Very truly yours,



Lawrence H. Chlum  
President



Robert S. Hoffman  
Executive Vice President