From: Penny Asher [penny.asher@nebankers.org]
Sent: Wednesday, April 12, 2006 4:23 PM
To: Comments, Regs
Subject: OTS Docket No. 2005-56: Proposed Interagency Guidance on Nontraditional Mortgage Products; 70 Federal Register 77249; December 29, 2005

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April 11, 2006

Regulation Comments

Chief Counsel's Office

Office of Thrift Supervision

1700 G Street, NW.,

Washington, DC 20552

Attention: No. 2005-56

Re: OTS Docket No. 2005-56: Proposed Interagency Guidance on Nontraditional Mortgage Products; 70 Federal Register 77249; December 29, 2005

Ladies and Gentlemen:

The Nebraska Bankers Association (NBA) appreciates this opportunity to provide comments to the Office of the Comptroller of the Currency (OCC) on the proposed Guidance regarding Commercial Real Estate (CRE) lending. The NBA is a professional, nonprofit organization representing 254 of the 255 commercial banks and 10 of the 16 savings and loan associations in Nebraska.

The NBA strongly supports the portion of the Guidance that addresses the importance of maintaining effective internal controls and risk management practices to safeguard financial institutions from excessive credit exposure in the commercial real estate sector. We respectfully suggest, however, that the financial-services industry would be better served if this Guidance were significantly narrowed. The Agencies' may also want to consider simply establishing "Best Practices" with respect to CRE lending activities. We do not believe that a "one-size-fits-all" requirement to maintain additional capital to support concentrations of CRE loans should be imposed on all insured institutions.

We do not object to recommendations that this area of risk be a focus of attention in the examination and supervision process. It is our belief that Nebraska state chartered banks are doing an effective job of risk management regarding CRE lending activities. We believe that there is a recognition by Nebraska banks that had least on a aggregate basis there is a concentration of the various types of credit that have been characterized as CRE lending in some of our markets. However, it can be misleading to aggregate all types of commercial real estate loans as a single market sector. These types of loans are subject to, and are directly affected by, a broad range of differing economic influences that make it inappropriate to treat all CRE lending activities in identical fashion. The risk characteristics of single family residential construction lending, condominium construction lending, multi-family construction lending, development lending, retail shopping center lending, industrial lending, and hotel and motel lending all have differing levels of risk. The level of involvement by Nebraska banks in single family residential construction and development lending and owner occupied office development, compared to their exposure in these other areas reflects that our bankers have been prudent in selecting the risks that they wish to take into their loan portfolio.

We are concerned that the proposed Guidance appears to be focused on aggregate limits of capitol, without considering the individual risk mitigants and controls that well-managed banks have in place to monitor and control risk. This may result in an unnecessarily large number of banks being subjected to the expanded procedures proposed in the interagency Guidance regardless of how well they are currently managing and controlling the risk related to CRE lending.

We would caution the federal agencies against adopting a policy that may inadvertently encourage bankers to enter areas of specialized lending in which they may lack sufficient expertise, by steering them away from the area of CRE lending that has otherwise been done in a safe and sound manner. Commercial lending is a critical component of our state's economy and a key factor in the success of many of our financial institutions. Any effort or action to discourage commercial real estate lending could have a detrimental effect on Nebraska's economy and the financial services industry.

We support critical analysis of the area of CRE lending, even though we have suggested that our banks are effectively managing risk in this area. Historically, the best method of monitoring risk management in this area has been through the examination process, enabling examiners to assess risk in each institution based on the management, portfolio composition and risk control procedures in that institution. Individual institutions failing to properly manage risk in this area should be subject to prompt and appropriate supervisory action.

Thank you for the opportunity to submit our comments on the proposed Guidance regarding CRE lending.

Sincerely,

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