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March 9, 2006

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Proposed Guidance for Commercial Real Estate Lending

Dear Sirs:

Cambridge State Bank ("CSB") is a community bank of nearly \$100 million in assets in Cambridge, Minnesota. Our charter is just over 90 years old. I am the bank's President.

CSB is concerned about the proposed guidance.

The MBA, of which we are a member, has written a letter to you, dated March 7, 2006, signed by Tess Rice. Ms. Rice's letter appropriately discusses all the many lines of business in which community banks struggle to maintain competitiveness due to factors such as our regulatory restrictions or subsidized competition. That list includes auto loans, mortgage loans, personal loans, and agricultural loans.

But community banks competitive in the secured commercial real estate lending market. We believe we do it well, and we handle the risks prudently. We have trouble understanding the rationale for lumping all commercial real estate loans together. It is obvious if one spends any time at all looking at a portfolio of real estate loans, that the risks can differ widely. Sources of repayment, loan to values, business purpose, guarantor strength are just some of the factors that are meaningful yet NOT reflected in a single ratio.

We, and our regulators, are already certainly aware of the risks of concentrations, and we manage our portfolio consistent with those risks. We spread our portfolio across many geographies, borrowers, and purpose types. As shareholders, we understand very well how important managing and diversifying risk must be. We do not need another list of regulatory reporting requirements to make our bank safer.

It does seem curious that the agencies have chosen to focus on commercial real estate lending, our bread and butter business, but seem to be ignore other, more risky lines of business, such as commercial loans not secured by real estate.

As community banks, we simply want a level playing field. Because it seems impossible to envision a future that provides a level playing field (credit union tax policy, Farm Credit subsidies, etc), we ask that we be allowed to run our businesses without undue, unnecessary and exceeding harsh regulatory burden.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Kim', is written in black ink on a light-colored background.

Kim M. Erickson
President and CEO