THE WILTON BANK

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March 1, 2006

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
Attention: Comments
559 17th Street, N.W.
Washington, D.C. 20429

Dear Mr. Feldman:

We are writing to comment upon the proposed guidance entitled "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices," published January 13, 2006 in the Federal Register. Our bank is a state-chartered non-member commercial bank with one office, $124 million in assets, and twenty-one full-time equivalents.

While this bank's Board of Directors and management share the agencies' concerns with potential risks with any concentration of credit, we strongly disagree with the totality and micro-management regulatory requirements in the proposal. This bank has had many years of a concentration in the residential construction mortgage loan portfolio. The Board of Directors has used due diligence in assessing and mitigating the risk to the point where we have never lost any money in this portfolio. Residential construction lending has been our niche for almost twenty years, and we have determined there is less risk here than in other types of lending available to community banks. Frankly, we question the inclusion of residential construction lending with commercial office and retail construction, as we believe that applies a one-higher-risk category fits all, which we know to be wrong. Certainly, we have had consistent regulatory oversight where no concerns have been expressed as to how we manage the portfolio.

The major concerns we have about the proposed guidance are in the areas of capital, loan loss reserve, and dramatically increased regulatory burden. While the final implications to community banks of Basel 1A are unknown, it does not appear from the ANPR that community banks will obtain any significant capital reductions while Base II banks will, according to the recently released QIS 4 results, expect about a 25% reduction in required capital. Now, the very subjective capital requirements in the proposal only exacerbate strains on our capital compared to our competitors. In the loan loss reserve area, the auditors are consistently trying to make us decrease a reserve our Board has deemed prudent, given the type of lending we do. If our reserve were based on historical charge-offs, we would basically have a very limited reserve. This proposal indicates that the reserve should have a relationship to the risks perceived in a portfolio. This is contradictory to what FASB and the AICPA are telling the auditors to try to implement. The third, and equal concern, is the increased regulatory burden amplified by the ambiguities in the proposal, compounded by the addition time and manpower it would take to implement the wide-ranging requirements. Worse, the possibility for inconsistent interpretation among examiners in highly likely. What we might end up with is another 300-plus-page interpretation similar to the BSA regulations in order to resolve the inconsistencies of examinations. This increasing regulatory burden is having a detrimental impact on all community banks.

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On the macro-level, there are most likely economic repercussions to the national housing market. Banks would either decrease commercial mortgages or increase pricing to cover increased capital, loan loss reserve, and regulatory burden. In parts of the country, there are areas where only community banks exist to meet the local credit needs. Certainly, this proposal would impact the strategic directions the banks presently follow. With increased competition from non-bank banks and the tax subsidy enjoyed by the large credit unions, there are limited lending products available to community banks. Making commercial lending, and in particular residential construction lending, so punitive would have a long-term negative impact on the banking industry.

We encourage you to look for other ways to address your concerns, and hope there would be less negative ramifications for community banking in our county.

Thank you for your consideration of our comments.

Very truly yours,

Marion P. Brown

Marion P. Brown
President and
Chief Executive Officer