

Fairfield County Bank Corp.

FOUNDED 1871

- RIDGEFIELD BANK
- FAIRFIELD COUNTY BANK

PAUL S. MCNAMARA
CHAIRMAN OF THE BOARD

March 13, 2006

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re Proposed Threshold Test For Concentration in Commercial Real Estate Lending

Dear Mr. Feldman:

The risk management practices described in the Proposed Guidance are appropriate and our bank employs these practices in analyzing commercial real estate (CRE) loans including Board involvement in the approval, review and oversight of commercial real estate mortgages. What is not appropriate is to adapt a threshold test that does not differentiate between the risks involved in various types of real estate lending. The risk characteristics between a single-family residential construction mortgage and a speculative land or office-building loan are completely different. To put 1-4 family construction lending to diverse borrowers with personal guarantees in the same bucket with multifamily condominium or large apartment projects is too simplistic and not reflective of the various risk characteristics. Single-family construction lending (1-4 family) should not be part of the test for concentration in commercial real estate lending.

The effect of this test is to encourage or mandate reduction of CRE loans, or increase in higher risk unsecured consumer loans or a sale of the institution – none of these possible effects are encouraging. The community banks in our market are the backbone of commercial real estate lending. To cause a bank to leave the commercial real estate lending and abandoning its customers could be disastrous for the customer and the bank's earnings.

It would seem appropriate that in the normal regulatory review that the agencies could identify those banks that have taken on substantial risk. Each bank has its own risk profile and in part the risk rated capital addresses those risks. In addition we all have to maintain appropriate levels of allowance for loan loss. These are the areas that the regulators should be addressing not simplistic threshold test.

Very truly yours,


Paul S. McNamara

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