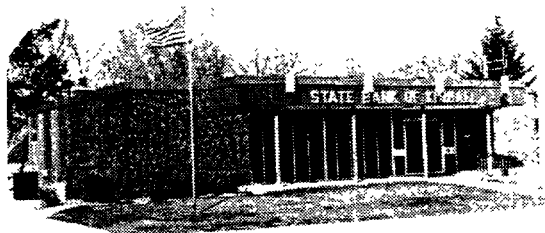


## STATE BANK OF KIMBALL



PO BOX 70  
KIMBALL, MN 55353  
320-398-3500  
established 1901

March 13, 2006

Robert E. Feldman, Executive Secretary  
Attn: Comments, Federal Deposit Insurance Corporation,  
550 17<sup>th</sup> St. N.W.  
Washington, DC 20429

RE: Concentrations in commercial real estate proposed guidance

Dear Mr. Feldman:

Community banks are experiencing growth of commercial real estate lending due in part to increased competition for consumer and residential mortgage loans. Captive credit at dealerships and retailers has taken a significant share of financing for vehicles and other consumer durables. Community banks are no longer the primary source of financing for these assets. Also, residential mortgages are originated for the secondary market by realtors, insurance companies, brokers, and many other entities, some of which are supported by national advertising budgets. Furthermore, the secondary market has expanded its ability to underwrite nonconforming properties and can finance virtually any type of residential real estate.

Competition for agricultural loans is similarly fierce with sources of captive credit at the retail level and tax subsidized credit unions and Farm Credit System competing with banks for agricultural loans. Commercial real estate financing, on the other hand, is an area in which community banks can use their customer relationship and lending expertise to compete effectively. The increase of commercial lending for some banks is replacing the consumer and residential loans lost to competitors. In other banks, increased commercial lending is resulting in loan portfolio growth.

The guidelines proposed by the joint agencies will restrict community bank's access to a type of lending more important than ever to their future. Bankers will continue to diversify their portfolio as they can, but structural changes in

the industry have sharply curtailed options for diversification. The proposed restrictions are contrary to the reality of present day banking and will result in slower institution growth and reduced profitability.

I strongly encourage the joint agencies to use commercial real estate to capital ratios less restrictive than proposed. The proposed thresholds requiring elevated risk management principals are low and should be increased before this policy is implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Markwardt", written in a cursive style.

Keith Markwardt

President

KM/jl