BANK OF CANTON

Our interest is in *you.*

March 16, 2006

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corpoation
Attention: Comments
555 17th Street, NW
Washington, DC 20429

Re: Commercial Real Estate Concentrations

Dear Mr. Feldman:

Standardized tests used to evaluate nonhomogeneous populations will not work any better with bank market segments than they do with college applicants as indicated by some of the top educational institutions dropping SAT scores. The reason is the same. It is not the similarities that matter, it is the differences.

The FDIC has a large pool of very experienced examiners who have done an excellent job of overseeing what is a very diverse banking industry. As any of them would tell you, real estate markets can differ greatly within a given state let alone within a region. To evaluate portfolios by quantity against an arbitrary set of ratios rather than by the quality of the properties within the portfolio is to relegate these talented people to clerical staff. This is a waste of very valuable FDIC resources and a potentially dangerous approach to regulation. The focus needs to be to look behind the numbers rather than looking at the numbers. "Acceptable" CRE concentration ratios will not save banks in the future any more than initially acceptable capital ratios saved a lot of banks in Texas or in New England in the 1988-1992 period. This was a hard-learned lesson by all involved and it should not be forgotten.

If the goal is the safety and soundness of the banking industry, the best approach is to continue to utilize the skills of FDIC exam teams to do what they do best: an individualized focus in their exams based on their substantial knowledge of the marketplace and experience in the industry. Prevention is the key. Ratios are merely an after action report. Rather than develop "standardized testing", deploy FDIC resources to give examiners better and more timely sources of information. Where warranted, hire more examiners and increase the frequency of exams to prevent banks from proceeding in dangerous directions. This is the only way to achieve the goal of a safe and vibrant banking industry in an ever changing market.

Sincerely,

David A. Packard

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