ABINGTON BANK

since 1867

March 28, 2006

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

ATTN: Comments/Legal ESS

Dear Mr. Feldman:

The Board of Directors of Abington Bank has requested that I express our objections to the proposed "Guidance – Concentrations in Commercial Real Estate Lending". As the Guidance itself states, adequate regulations and guidelines that outline supervisory expectations for a safe and sound commercial real estate lending program already exist.

By relying on these existing regulations and guidelines and its practice of enforcing them, the Federal Deposit Insurance Corporation (FDIC) would minimize increasing the regulatory burden on the industry, particularly community banks; assure a stable regulatory environment in which the expectations of the FDIC could be met without additional delay to adopt new regulations and educate the industry about them; and avoid arbitrary imposition of capital requirements without regard to the risk profile of each institution.

The proposed guidance contradicts the efforts of the FDIC to reduce the regulatory burden on financial institutions, particularly small community banks such as Abington Bank. Each new regulation increases the diversion of resources from the business of a bank as a financial intermediary to analysis, interpretation and implementation of the new regulation. The diversion occurs regardless of the appropriateness of the regulation to the business strategy of the institution by imposing new expectations which must be incorporated into the compliance framework or excluded as inapplicable.

Under the proposed guidance, until the institution can identify the impact of the regulation on its portfolio, its ability to meet the needs of its commercial real estate customers is compromised. Loans applications will need to be evaluated under the new criteria, regardless of the business climate in which the institution is operating. The business judgment of management, which is one of a financial institutions most significant assets, is being replaced by formulistic measures which oversimplify the

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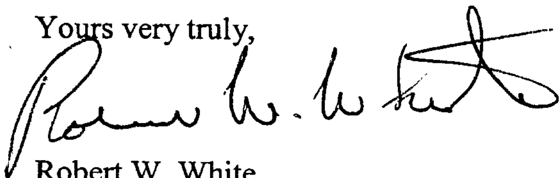
evaluation of loans and the industry to which they are being made.

The guidance itself sets inappropriate standards because it combines very diverse types of lending into one concentration. In the same community, loans for construction, land development and other loans dependent on rental income or sale, refinancing or permanent financing as the source or repayment can have different risk profiles. The existing underwriting standards clearly require that directors and managers of financial institutions understand these profiles and adjust their lending practices accordingly. It is the easing of underwriting standards which could lead to problems rather than the absence of them.

Likewise, one institution with a commercial real estate concentration representing one hundred percent (100%) or more its capital could have a completely different risk profile from another institution with the same concentration. The issue is whether the strategic planning, underwriting and risk assessments are appropriate for the existing level of concentration and whether the management information system is designed to provide meaningful information of the characteristics of the entire portfolio, including concentrations in any industry. Placing additional supervisory expectations on anyone particular industry creates distortions in the portfolio without regard to its actual circumstances of the institution.

Accordingly, we believe that the current regulatory structure provides the FDIC with the necessary supervisory powers to avoid risk to the insurance fund. Use of those powers, with which the industry is familiar, has significant benefits over the creation of new guidance.

Yours very truly,



Robert W. White
President/CEO