March 27, 2006

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

Re: Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices

Dear Mr. Feldman:

This letter is being sent as a comment regarding the proposed "guidance" noted above; specifically the proposed limits of 100% of risk-weighted capital on construction and land development lending, and the 300% of risk-weighted capital limit on overall commercial real estate lending. I am President & Chief Executive Officer of a $1.3B community bank with 29 locations throughout South Dakota and North Central Nebraska. We believe that the proposal should not be implemented for a variety of reasons, which are outlined below.

1. BANKS NEED TO BE ABLE TO SERVE THEIR COMMUNITIES – while the banking industry has done well over the past decade, we have seen unprecedented competition from credit unions, payday lenders, captive automotive finance companies, Farm Credit, and insurance companies. Good competition shouldn't scare any good bank. However, in order to remain sound and successful, banks must be able to meet the needs of their communities (this is even regulated / mandated by the Community Reinvestment Act). The proposed regulation will clearly inhibit the ability of banks to serve very valid credit needs in the communities they serve. We believe that well run banks, with adequate policies and procedures, should not be precluded from meeting the financial needs of their communities, including communities that are seeing significant real estate opportunities.

2. REGULATIONS ALREADY EXIST THAT ADDRESS THIS ISSUE – banks have been dealing with FIRREA (Financial Institutions Reform & Recovery Enforcement Act), including Part 365 (re: limiting the amount of loans for which supervisory loan to value guidelines may be exceeded) for many years. These regulations have served the industry well. It's our belief that enforcing these regulations will help maintain sound banks without the need for additional legislation that will impede our industry's ability to serve our communities.

   Also, banks already must monitor all borrowing relationships to stay in compliance with legal lending limits, and banks must also adhere to regulatory capital requirements. We do not see the rationale for limiting banks' ability to continue with a core part of our business, when we already have capital, legal lending limit, and safety and soundness regulations in place.

3. BANK POLICIES NEED TO BE ADEQUATE, AND NEED TO BE ENFORCED – we believe that the focus should be on regulators making certain that banks have policies that are as sophisticated as the portfolios that they maintain. Should banks be aware of spikes in market prices? Certainly. Should banks have policies to perform rate sensitivity analyses on certain transactions? Absolutely. Again, though, we believe that the regulatory focus should be on working with banks to ensure that banks maintain and enforce adequate policies and practices.

4. NATIONAL REAL ESTATE 'BUBBLE' – if certain markets have seen price spikes, then banks in those markets, and their regulators, should discuss adequate practices to ensure continued bank soundness. In most sectors that community banks like ours serve, we do not see the 'bubble' affecting some larger markets on the East and West coasts. Historically, the Midwest has not seen the commercial and residential real estate price "spikes" and "valleys" that other regions have seen. Further, we believe that there is no 'national' housing market. An excess of homes in Phoenix, AZ does not affect the price of homes in Watertown, SD. To have additional regulation that basically paints all regions and banks with the same brush is both unfair and unnecessary. Point being, regulators should and need to expect that banks are aware of conditions in their markets; this doesn't require additional regulation.

   Further, we believe that a bank like ours in multiple locations within our region has a significant amount of diversity. We have a market such as Rapid City, which is largely driven by tourism. This contrasts to our Sioux Falls market, which has its strength in the medical and financial services industries, and of course, our rural markets dominated by agriculture operations. Point being, all of our own existing markets provide diversity within our portfolio; we do not see how we or our industry would be better off by limiting future commercial real estate opportunities.

5. Overall, we believe that sound regulations already exist to require banks to receive realistic valuations, set loan to value standards, and to limit the amount of loans on which exceptions can be made. Real estate lending is a key component to many banks' soundness and success. Done properly, real estate lending is a very sound component of a bank's loan mix. Our suggestion would be to spend regulatory efforts enforcing both existing legislation and bank policies, and to work with banks to ensure that their policies adequately reflect the risk in their respective portfolios.

6. From the proposed guidance, we understand that 'owner occupied' loans are exempt from classification as 'commercial real estate'. However, we have been informed by Senior Examination Specialist James Leitner that all hotel properties would not be exempt. Our region is home to many owner-occupied hotel properties. We fail to understand why this kind of property is being singled out and must be included in the calculation. Our region is home to the national "Super 8" motel chain (founded in Aberdeen, SD), and our offices in the Black Hills (Rapid City and Spearfish, SD) have many properties focused on tourism. There are both expertises in our markets, and the opportunity / conditions to make these properties successful. For such closely-held and operated properties, we believe that they should be afforded the same exemption as other owner-occupied properties.

Thank you for this opportunity to comment on the proposed guidance. I would welcome any discussion on this topic. I can be contacted at (605) 336-4462.

Sincerely,

Jeffory A. Erickson
President and
Chief Executive Officer

cc: Senator Tim Johnson
Senator John Thune
Mark Moylan (FDIC)
Randy Rock (FDIC)
Roger Novotny (State of South Dakota Division of Banking)
Dan Hamann
Deryl Hamann