April 11, 2006

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20249

Dear Mr. Feldman:

Thank you for presenting us with this opportunity to comment on the Interagency draft Guidance entitled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (Guidance). Before we proceed with our comments we must note that the FDIC Examination Manual clearly states that concentrations are not inherently bad and, in some instances, are largely unavoidable.

Here at The Community Bank in Loganville, Georgia, and likewise at many community banks in this country, our loan portfolio has a concentration of commercial real estate credits (CRE), as defined in the Guidance. This type of credit has become the core of earning assets at our bank and similarly at many community banks in this country.

Two salient directives in the Guidance regarding capital adequacy are that at examinations the Regulatory Agencies will take into account the level of inherent risk in the CRE portfolio, and the quality of the bank's risk management practices. We do understand that the underlying Regulatory concern is that CRE concentrations may make the institutions vulnerable to cyclical commercial real estate markets; and to that end the Regulators previously issued regulations and guidelines that outline supervisory expectations for a safe and sound CRE lending program. It is important to note that both the real estate boom and anticipated bubble is much more pronounced in some areas than in others and here in Georgia, in our PSA, we continue to experience a boom. Therefore, the painting of CRE loans with one brush for all areas of the country is not accurate. Matured community banks, such as our bank, learnt a great deal from prior downturns in the RE market. We are smarter, more deliberate, and are risk focused in out lending philosophies.

To determine if a bank has a concentration in CRE lending that warrants the use of heightened risk management practices two concentration thresholds are proposed in the Guidance. They are: (1) Total reported loans for construction, land development, and other land represent one hundred percent (100%) or more of the institution's total capital; or (2) Total reported loans secured by multifamily and non-farm nonresidential properties and loans for construction, land development, and other land represent three hundred percent (300%) or more of the institution's total capital. The Guidance did not address the analysis that went into the determination of these thresholds, (although the 100% threshold has long been considered the benchmark for measuring a concentration of credit). With the Guidance out for comments this is an appropriate time to revisit the thresholds for asset concentrations. The composition and volume of community banks' earning assets have changed in recent years, particularly in the assets defined as CRE in the Guidance. The first

threshold as defined above is easily reached by almost every bank. We would like to propose that the thresholds be set at two hundred percent (200%) and five hundred percent (500%) respectively to reflect more accurately the changing composition of the loan portfolio. Undoubtedly, this Guidance will have a greater impact on community banks than on larger banks. Community banks are located in smaller towns or in growing suburbs and CRE are an integral part of the earning assets of these banks and concentrations in CRE construction and development loans are unavoidable. Stringent percentage restrictions on this primary business activity coupled with overly burdensome requirements for monitoring concentrations may impact both the bottom line of the bank and the availability of CRE credit in the communities.
In summary we would like to make the following comments:

1. Most community bankers are underwriting their CRE loans conservatively. They carefully inspect collateral and monitor loan performance and the borrower's financial condition. Community bankers extend credit in their communities and are close to their customers. They are positioned well to know the condition of their local economy and their borrowers.

2. Community bankers have generally increased staff and risk management practices and capital level since previous downturns in commercial real state lending and are now better equipped to handle future downturns.

3. There already exists a body of real estate lending standards, regulations and guidelines. Examiners have the necessary tools to enforce them and address unsafe and unsound practices; the proposed guidance is unnecessary. Regulators should address CRE management problems on a bank by bank basis and should not broad brush across the banking industry.

4. The proposed threshold limits of CRE loans to capital are too restrictive and do not take into account the lending and risk management practices of individual institutions. They also do not recognize that different segments of the CRE markets have different levels of risk. Therefore, the thresholds may not give an accurate picture of the risk in an institution.

5. Community banks already hold capital at levels above minimum standards and should not be required to raise additional capital because their CRE loans exceed the proposed thresholds. Regulators should consider the bank's allowance for loan losses and current capital levels along with risk management practices.

6. The proposed guidance is unfairly burdensome for community banks that do not have opportunities to raise capital or diversity their portfolio to the extent that larger regional banks can. The CRE portfolios or many community banks have grown in response to the needs of their community. If community banks are pressured to lower their CRE exposures, their ability to generate income and more capital will be constrained and they will lose good loans to larger competitors.

7. The proposal's recommendations regarding management information system reports will be particularly costly and burdensome to community banks; the costs will most likely outweigh the benefits to smaller banks.

Because of the reasons outlined, we urge you not to go forward with the guidance as it has been proposed. Instead, regulators should use the regulatory tools already in place to identify and address CRE lending risks where they truly exist and abandon the proposed thresholds that are too restrictive.

Again, thank you for the opportunity to comment on the draft Guidance.

Sincerely,

Stanley H. Kelley
Chairman/President/CEO
The Community Bank
P.O. Box 188
Loganville, Georgia 30052-0188