

# FIRST CHEROKEE STATE



*Michael J. Henderson  
President, Cobb Division*

April 12, 2006

Mr. Robert E. Feldman, Executive Secretary  
FDIC  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attention: Comments

Dear Mr. Feldman:

I am writing to you concerning the proposed guidance concerning commercial real estate. It is my hope that the FDIC and the other agencies will reconsider this proposal and continue to review the stability of each bank on a case by case basis.

As a community bank, our most prevalent loan type is SFR construction and A&D lending, both of which are considered commercial real estate. We feel that we are prudent in our underwriting, loan approval process and the ongoing monitoring of our commercial real estate loans. In addition to underwriting the creditworthiness of the borrower, we also take into consideration (through subscription to two major services) the absorption in the area and with specific price ranges in mind. Our low loss experience bears out the effectiveness of the process.

At our bank, all loans over \$200,000 in total liability are approved by the Loan Committee which consists largely of outside directors, many of whom are intimately involved in various aspects of the real estate industry. With this threshold, nearly 100% of our loans are approved by the Loan Committee.

In addition to the adverse affect the proposal will have on our bank, it may well have an adverse affect on our local economy as well. Because our area prospers though its growth, construction is a major industry, and along with that you have many businesses related to the construction industry such as a wide variety of subcontractors, hardware stores and building supply stores, appraisers, real estate closing attorneys, realtors, etc. In general, most all businesses enjoy the construction related industries as their customer base. Cutting back on the level of activity will affect not only the community banks, but the local economy as well.

As you weigh the benefits of the proposed guidance, we hope that will also consider alternatives that will not adversely affect institutions that are exercising care in loan administration.

Sincerely,

Michael J. Henderson