BOILING SPRINGS SAVINGS BANK

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April 13, 2006

Office of the Comptroller of the Currency
250 E. Street, SW
Public Reference Room
Mail Stop 1-5
Washington, DC 20219
Docket No. 06-01

Robert E. Feldman, Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G. Street, NW
Washington, DC 20552
Docket No. 2006-01

Jennifer Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, DC 20551
Docket No. OP-1248

Re: Proposed Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practice 71 FR 2302 (January 13, 2006)

Dear Sir or Madam:

The Board of Directors of Boiling Springs Savings Bank appreciates the opportunity to comment on the proposed guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices ("proposed guidance") issued by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision and the Board of Governors of the Federal Reserve System ("the agencies").

We unanimously agree that the agencies are correct in that the institutions they regulate should have sound risk management in place. We do, however, strongly oppose the establishment of thresholds we feel are at a minimum arbitrary and at worst too broad and excessive. As proposed, the guidance on Concentrations in Commercial Real Estate lending will have a serious negative impact on community banks. I would like to explain our concerns as they relate to our institution.

We are a $1.1 billion savings bank headquartered in Northeast New Jersey, with a strong capital ratio of approximately 13%. A large portion of our real estate portfolio is concentrated in both construction and commercial loans (multi-family, mixed use, retail), primarily located within our market. The potential lending limitations caused by these proposed arbitrary thresholds would have a substantial negative earnings impact and would put us at a severe disadvantage in competing with the large national banks located within our trade area.

The guidance as proposed is flawed; it does not take into consideration some of the most basic underwriting standards. For example, there is no provision for construction loans with takeout financing by end users. There is no differentiation between an office building built on speculation and a fully occupied apartment house, nor is there any reference to the loan to value or debt service ratios as they relate to the risk involved. Additionally, are the thresholds applied to funds committed but not yet advanced or only net funds? Also, would the thresholds be phased in or immediate? What if, as a result of the proposed thresholds, there would suddenly be a glut on such loans for sale in the secondary market? There are many more such questions to be evaluated before any thresholds could be adopted and risk management procedures modified.

It is important to note that, in our market, the occurrence of loss on multi-family loans over the last 20 years has been minimal for our institution. We feel that this has occurred through strong underwriting, as well as the stability that rental properties offer. Further note that apartments provide a viable alternative to homeownership, especially in times of economic downturns. With regard to the construction market, this segment has remained consistently strong for over 10 years with minimum defaults and virtually no losses. In New Jersey, there is a known shortfall of sufficient new housing. Although there may be a deceleration in new home production, this is a natural cyclical occurrence. We do relatively little speculative lending without first completing a thorough feasibility analysis and have established reserves to cushion against losses. If arbitrary thresholds were put on these components of our lending, we would rather not be compelled to look at alternate investments, as this may pose more risk than the present portfolio mix represents.

Also, with the proposed thresholds, we fear that regulators will tend to overreact to our concentrations without understanding the dynamics of our market. The tendency may be to over-regulate. We have put into place a systematic underwriting program to evaluate and minimize our risks before extending credit. We, likewise, have established a thorough and comprehensive post-origination internal loan review to monitor possible risk to the portfolio. In fact, at our monthly board meetings, we review the largest concentrations of credit in both construction and commercial real estate. We believe this represents appropriate due diligence in a very proactive manner. We feel the regulators would be better served to review each individual institution's risk matrix, policies and procedures already in place rather than to superimpose an artificial limit on everyone.

Please also consider the following that, after the slump in the market in the late 1980's and early 1990's, we decided to provide credit to builders in our area that had been shutoff, through no fault of there own, arguably by the over reaction within our business. This constriction in the market was precipitated by a relative few bankers that did not have any regard for the safety and soundness of the institutions for whom they were fiducially responsible. We are not that type of industry anymore. Collectively, we have learned from our mistakes, and with the implementation of better policies, procedures, regulation and oversight, we are much more able to manage risk than ever before.

Lastly, as previously noted we have a strong capital position and have established reserves for potential loan losses that you as regulators have already reviewed and monitored and endorsed.

April 13, 2006

We would respectfully submit that there are sufficient measures in place in our institution and most likely in almost every other regulated institution that you oversee. There are risk based capital proposals presently being contemplated; therefore, we believe that the concerns relating to the issues of thresholds and sound risk management would be better addressed there.

Very truly yours,

Robert E. Stillwell
President/CEO & Board Member

RES:lac

Submitted on behalf of the following members of the Board of Directors:

J. Raymond Carey, Chairman
Rutherford, NJ

Kenneth Grimbilas, Vice Chairman
Pompton Plains, NJ

Peter F. Benedict, Director
Essex Fells, NJ

W. Thurston Cooper, Director
Point Pleasant, NJ

MaryEllen Doster, EVP & Director
Midland Park, NJ

J. Christopher Ely, Director
Glen Ridge, NJ

Edward C. Gibney, Director
Hawthorne, NJ

Jerome Goodman, Director
Wyckoff, NJ