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Bank of Commerce

March 31, 2006

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: Docket No. OP-128

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

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

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

Reference: **Comment on Proposed Guidance: "Concentrations in Commercial Real Estate Lending"** (Fed. Docket No. OP-1246), FDIC (NO docket ID), (OCC Docket No. 05-21), (OTS Docket No. 2006-01)

Ladies and Gentlemen:

The Board of Directors of Bank of Commerce, Chelsea, Oklahoma wishes to comment on the proposed "Interagency Guidance on Concentrations in Commercial Real Estate". Our comments are as follows:

A. The proposed guidance is at best ambiguous, vague and will be subject to inconsistent application.
B. The proposed guidance places an extremely heavy burden on community banks.
C. The proposed guidance will negatively affect the banking industry's competitiveness in commercial real estate lending.
D. The proposed guidance imposes micro-managing of core banking business and adds to the restrictions already in place for real estate limitations and policy exceptions.
E. Supervisory tools already exist to deal with unsafe banking practices which cover real estate and all other bank lines of business.
F. The proposed guidance does not distinguish risk factors for different CRE markets.

We recommend that the Agencies not issue this and utilize the existing rules and regulations. This proposal will be extremely restrictive, anti-competitive and burdensome on community banks. The proposal to require increased levels of capital for commercial banks involved in higher levels of commercial real estate and the requirement of enhanced risk monitoring will severely restrict community banks competing in the marketplace. The guidance will significantly reduce community banks' ability to fund CRE in their community, resulting in a negative impact for both the bank and their communities. The proposal appears especially to target smaller community banks with its heavy monitoring requirements and should be considered anti-competitive.

Because the Agencies have issued this proposed guidance with a newly predetermined negative position that large CRE portfolios are inherently riskier, bankers will be required to invest significant money, time and effort to try and counter this position.

The proposed guidance's requirement that banks deemed to have a concentration of CRE should have significantly higher levels of capital and significantly higher loan loss reserves than other banks fails to reflect risk management practice differences in both size and CRE portfolios of different banks. Such increases should follow only if a portfolio in fact is found to present a higher level of risk.

The extreme requirements set forth in the Guidance will be overwhelming for community banks. The examiners will be requiring bank reports on market conditions, evidence of increased board oversight, new policies, more detailed strategic planning, quantifiable limits, contingency plans, feasibility studies, sensitivity analysis , stress-testing, tracing of presales and more to community banks with limited staffs. With these increased burdens comes the compounding by the Guidance of unclear and ambiguousness that make it subject to inconsistent and unequal application.

Community banks have had to consolidate lending due to increased national competition through credit cards, mortgage lending, auto lending and others. One of the strongest products for community banks has been local real estate. Because of our knowledge of our communities and markets we have a significant advantage when competing for CRE loans. Adding stricter guidelines regarding commercial real estate on all community banks will increase the costs and burdens to all community banks making CRE loans without addressing problem banks.

In conclusion, the proposed guidance is confusing, discriminating and anti-competitive and it should not be issued.

Respectfully yours,

J. L. Miller
President