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E. J. FACE, JR
COMMISSIONER OF
FINANCIAL INSTITUTIONS

COMMONWEALTH OF VIRGINIA



1300 EAST MAIN STREET
SUITE EIGHT HUNDRED
P.O. BOX 640
RICHMOND, VIRGINIA 23218-0640
(804) 371-9657
FAX (804) 371-9416
TDD (804) 371-9206
www.scc.virginia.gov

STATE CORPORATION COMMISSION BUREAU OF FINANCIAL INSTITUTIONS

April 4, 2006

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

Dear Mr. Feldman:

Comments have been invited on the proposed guidance regarding commercial real estate lending. While the intent of the proposal may be consistent with sound regulatory policy, the proposal itself is unnecessary in that there is no significant evidence, as far as I know, that Virginia state-chartered banks are ineffectively managing commercial real estate risks. This proposal presupposes a condition or disorder that is not evident.

In conversations with my peers in other states, in conversations with federal bank regulators supervising Virginia state-chartered banks, and drawing from my own experiences with Virginia state-chartered banks, I submit that Virginia state banks are performing an effective job of risk management in this lending area. I recognize there are concentrations of credit, referred to as commercial real estate, in several Virginia markets; however, this Bureau's regulatory and supervisory processes, along with satisfactory commercial real estate risk management practices by Virginia state-chartered banks, provide the necessary focus and awareness of risks in commercial real estate lending.

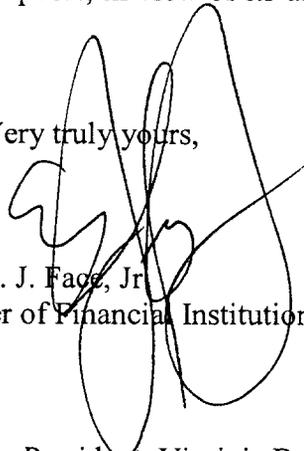
This Bureau has always encouraged banks under its supervision to diversify risks within the limits of law and regulation. I concur with some of my state regulatory peers who have expressed concern that this effort to identify commercial real estate lending as an area of elevated risk might encourage banks to enter areas of specialized lending, in which past experience indicates losses have been more common than in commercial real estate lending.

Mr. Robert E. Feldman
April 4, 2006
Page Two

Lastly, I would be remiss not to mention that I believe this proposal would increase even more the already heavy regulatory burden on banks, particularly community banks, which are expending enormous energy and financial resources complying with bank secrecy and corporate governance requirements.

I urge you to reconsider this proposal, in view of its unwarranted and unintended consequences.

Very truly yours,

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

E. J. Fago, Jr.
Commissioner of Financial Institutions

cc: Walter C. Ayers, Executive Vice President, Virginia Bankers Association
Neil Milner, President, Conference of State Bank Supervisors