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April 13, 2006

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

Re: Proposed Guidance on Concentrations in Commercial Real Estate Lending

Dear Mr. Feldman:

Umpqua Bank is Oregon's largest state-chartered bank, with 96 branches in Oregon, Washington and northern California. Thank you for the opportunity to comment on the proposed interagency guidance on concentrations in commercial real estate lending.

In our opinion, additional guidance placing new monitoring requirements and potentially new capital and reserve requirements, will be an unnecessary burden on community banks.

Umpqua Bank is now governed by the Interagency Guidelines for Real Estate Lending Policies, 12 CFR Part 365 and Appendix A. In accordance with existing guidance, we manage our commercial real estate portfolio in the following areas:

- Concentrations in borrower relationships;
- Industry concentrations;
- Product concentrations; and
- Geographic concentrations.

Our strategic plan and internal credit policies provide written guidelines for managing these concentrations and establish specific targets for concentration limits that are monitored on an ongoing basis; with exceptions reported to the Loan and Investment Committee of our board of directors.

From time to time, in accordance with existing guidance and our internal policies, we will declare a moratorium on new commercial loan products or industries when we believe that concentrations in those areas may be reaching unacceptable levels.

Many of the portfolio management controls suggested in the proposed guidance are already implemented in our bank and other banks. Many of these controls are already required under existing guidance. The proposed guidance indicates that it is intended to "reinforce" existing guidance, but there is no explanation as to why enforcement of the existing guidance is not adequate.

Our loan portfolio is weighted towards commercial real estate lending because that is a major activity in the markets that we serve. Our business is focused on the relationship with our borrowers. Often, our loans to small and medium sized businesses will be secured with the business real estate, in addition to business assets. These are not the commercial real estate loans you are concerned about, but they will be classified as such.

Our loan portfolio is in excellent shape because our current practices and procedures, implemented in accordance with existing guidance, are fundamentally sound and they work.

Most importantly, our loan portfolio is sound because we know our markets and we know our borrowers.

The guidance proposes that broad and artificial thresholds, such as commercial loans in excess of 300% of capital, will trigger heightened regulatory scrutiny and intensified risk management procedures as well as potentially higher allowance requirements and increased capital requirements.

We are concerned about these proposed new requirements and, frankly, believe they are unnecessary. We believe that adherence to and enforcement of the existing guidance is sufficient deal with those few institutions that engage in high risk lending practices or poor portfolio management.

If you have questions, I would be happy to talk to you about this subject. Thank you.

Very truly yours,

Raymond P. Davis
President and CEO

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