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By

Manasquan Savings Bank
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April 5, 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 Sys.
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:

Manasquan Savings Bank ("the 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").

The Bank agrees with the agencies' position that institutions should have in place risk management practices and capital levels appropriate to the risk associated with concentrations in commercial real estate lending, but is extremely concerned with the proposed threshold tests for assessing whether an institution has a commercial real estate concentration that triggers heightened risk management practices and regulatory scrutiny. We believe that proposed thresholds are far too broad, inflexible and arbitrary.

The Bank's biggest concern with the proposed thresholds is that they fail to take into account the risk characteristics between different types of commercial real estate lending.

For instance, there is a vast difference in risk between a loan on a single family tract development or condominium project where all the homes or units are pre-sold and a development built on speculation. There is also a vast difference in risk between a loan on a multi-family apartment building and a speculative loan on a shopping center or office building. This is particularly the case in a market like New Jersey with a shortage of affordable housing and low vacancy rates in multi-family housing. Within a particular category of commercial real estate lending, there is also a vast difference in risk between loans that are conservatively underwritten and in which the borrower has a large investment at stake and loans that offer overly generous terms and where the borrower has little to lose if the project should fail.

Rather than setting arbitrary thresholds, the Bank urges that the guidance focus on the individual institution being examined, including the portfolio composition, the experience and expertise of the management team in the particular types of commercial real estate lending being conducted, the thoroughness of loan underwriting and risk management procedures, the controls in place at the institution and the conditions in the economic market being served by the institution. If the agencies continue to deem thresholds necessary, then those thresholds need to correspond to the actual risk inherent in the portfolio. Loans with lower risk characteristics should be excluded from those thresholds. Among the loans that should be excluded are multi-family loans, pre-sold residential construction and construction to permanent loans with either firm takeouts or established cash flows that provide sufficient debt service coverage.

We are deeply concerned that by deeming an institution that exceeds the proposed thresholds as having "a concentration in commercial real estate lending", examiners will feel pressured to impose a higher capital requirement regardless of the circumstances at the particular institution. The proposed guidance provides the examiners with so much discretion in determining if additional capital requirements need to be imposed that there is no assurance that the guidance will be applied on a consistent basis between the agencies or even between different examiners of the same regulatory agency. Capital requirements should be addressed in the risk-based capital regulations and not in this proposed guidance.

The Bank believes the proposed guidance has the potential for severely curtailing commercial real estate lending in a market and for severely limiting opportunities for community banks to serve their communities and meet CRA requirements.

The Bank appreciates the opportunity to comment on the proposed guidance. If you should have any questions, please let me know.

Sincerely,

Peter M. Brown
President/CEO