From: "Chuck Pollow" <cpollow@middleburgbank.com> on 03/08/2006 04:20:01 PM

Subject: Commercial Real Estate Lending

Middleburg Bank is committed to sound risk management practices in lending. We applaud the Agencies for raising these issues as unsound lending practices by a few lenders can adversely affect an entire market in the event of a downturn in the value of real estate. However, we do have concerns as to the generousness of the proposed reporting requirements. For residential construction loans to builder/developers, Middleburg Bank limits the number of spec homes that a builder can start, usually one or two ahead of sales. However, our loan system can only report the number of construction loans per borrower and project. It does not have the capability to distinguish a pre-sold versus a spec house. There is inherently less risk in financing the construction of a pre-sold house than in financing the construction of a spec house. However, because of Middleburg Bank's system limitations, the Bank would need to count all construction loans against the 100% of capital "bucket". This would give the impression that Middleburg Bank's risk profile is the same as that of a bank that primarily provides construction financing to tract builders, which is usually building all of their houses on spec.

In a similar manner, Middleburg Bank generally provides commercial real estate financing to businesses which want to purchase an office, condo, warehouse, etc., for its own use. We understand that those loans are proposed to be excluded from the CRE definition. However, our loan system does not differentiate between owner-occupied commercial properties and investment properties. This issue is exacerbated by the fact that, in our market, and I would imagine in many other markets, the commercial real estate is purchased by an LLC or LLP, which is owned by the owners of the business/tenant. Often the LLC or LLP will have a name significantly different than the name of the business/tenant. Therefore, on a macro level, it will be very difficult and labor intensive to determine what dollar volume of loans are secured by commercial real estate, which is leased to third party, non-affiliated businesses.

We thank the Federal Reserve System for allowing us the opportunity to respond to the proposed guidance.

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