



W. Phillip Johnson, Jr.
Chairman of the Board

February 28, 2006

Ms. Jennifer J. Johnson
Secretary, Board of Governors
Federal Reserve System
20th St. and Constitution Ave. N.W.
Washington, D.C 20551

Ref: Docket No. OP-1248

Dear Ms. Johnson:

As a Houston bank that successfully survived the real estate market crash in the 1980's and remaining profitable throughout this period, we have developed underwriting, board and management information system requirements, and risk management procedures which are appropriate for our size and complexity. Commercial real estate lending is an important part of our lending program, but only a part of a well diversified loan portfolio of consumer, municipal, and commercial loans.

To arbitrarily add the additional risk management practices of market analysis and portfolio stress testing etc, will only add to the burden of a small well managed and well capitalized bank. Also most small community banks are better capitalized than the mega banks with much less exposure to concentrated CRE lending. Community banks can and do provide more service value to their customers since we have closer personal relationships with them and can provide prompt cost effective service.

More micro-imaging of core banking relationships add to the adequate regulations already in place. I earnestly plead that you consider the existing regulatory burden of small community banks whose very existence is in jeopardy and refrain from imposing this new and unnecessary proposal which will add to the quickly disappearing locally owned community banks.

Thank you for your consideration of these remarks in the hope that community banks will be able to compete without the additional burden of more micro-management guidelines and regulations.

Sincerely,



W. Phillip Johnson,
Chairman of the Board

Cc: Ed Yingling, President ABA

Wpj/sr