

**From:** "Cindy Johnson" <cindy.johnson@huntington.com> on 11/02/2006 07:10:02 PM

**Subject:** Interagency Concentrations in Commercial Real Estate Lending

Cindy Johnson  
Third Party Lending Account Executive  
Huntington National Bank  
12208 S Sherman Lake Dr  
Augusta, MI 49012-9252

November 2, 2006

Jennifer Johnson  
Docket No. OP-1248

Dear Jennifer Johnson:

RE: Proposed Guidance-Concentrations in Commercial Real Estate Lending,  
Sound Risk Management Practices 71 FR 2302 (January 13, 2006)

Dear Sir or Madam:

As a banker, I appreciate the opportunity to comment on the Proposed Guidance-Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices ("Proposed Guidance") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision ("Agencies"). The Proposed Guidance will impose additional regulation on financial institutions in a mechanical manner.

The proposed guidance adds additional scrutiny to banks with high concentrations in commercial real estate loans with regard to their underwriting standards, risk management practices, and capital levels. Under the proposed guidance, financial institutions are deemed to have a concentration in commercial real estate loans if one or both of the following tests are met:

- Total reported loans for construction, land development, and other land represent one hundred percent or more of the institution's total capital, or - Total reported loans secured by multi-family and nonfarm nonresidential properties and loans for construction, land development, and other land represent three hundred percent or more of the institution's total capital.

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The proposed guidance would allow the banking regulators to require banks to increase their capital levels simply because there is a concentration of commercial real estate loans.

I believe that commercial real estate is vitally important to the lending programs of our banks, to revitalize urban communities and to strengthen the Michigan economy. Any guidance that imposes additional requirements in a mechanical or arbitrary manner could lead to policy shifts in the

lending practices of our banks that could discourage commercial real estate lending and encourage more risky types of lending.

The agencies should not impose rigid, arbitrary threshold tests that ignore the actual risk factors associated with a particular loan. Thresholds are not appropriate for the reason that different types of commercial real estate have very different risk profiles. There are huge differences in risk levels between loans for land development, raw land, spec home construction, and commercial construction. These risk factors should be evaluated individually, and not under a mechanical set of guidelines that fail to account for the uniqueness of the project.

The proposed guidance allows the agencies to require banks to increase their capital because of a concentration in commercial real estate loans. The agencies should not have the discretion to arbitrarily require a bank to increase its capital levels under these circumstances. Appropriate capital levels should be determined based on a thorough analysis of the individual bank. All factors should be included when making a determination that a bank has sufficient capital, including the risk associated with the bank's lending practices, not just an arbitrary standard.

Again, I appreciate the opportunity to comment on, and firmly oppose, the Proposed Guidance-Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

Thank you.

Sincerely,

Cindy Johnson  
Third Party Lending Account Executive  
Huntington National Bank