April 10, 2006

Mr. Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
ATTN: Comments
550 17th Street, N.W.
Washington, D.C. 20429

RE: FIL-4-2006 Commercial Real Estate Lending
Proposed Interagency Guidance

Dear Mr. Feldman:

I believe it is noteworthy, in regard to Utah's community banks, to provide a brief historical review of the circumstances leading to the apparent concentration referenced in the above "Proposed Interagency Guidance." For the past 15 years community banks in the state of Utah have consistently lost consumer market share to government subsidized credit unions. Prior to that time consumer loans represented a significant and viable source of revenue as well as providing portfolio diversification. Currently consumer loans represent a diminutive portion of total loan volume. For years senior bank management has acknowledged this trend as a potential threat to safety and soundness as loans have migrated from the consumer to the commercial sector. This concern has been expressed to banking authorities on numerous occasions over the years, especially during the examination process. Unfortunately banking authorities have considered this issue an industry "squabble" rather than a potential threat to safety and soundness. During this time the NCUA has been unchallenged in their efforts to consistently and aggressively champion the advancement of credit unions to the point where congress has recently started to question their mandate and responsibility to function as an independent regulator. Nevertheless, community banks, especially those in states with high concentrations of credit unions, have been forced to assertively pursue the commercial market in the absence of a consumer option in order to achieve earnings expectations from both shareholders and banking authorities.

I agree that concentrations represent higher levels of risk. I also maintain, in most circumstances, that concentration risk can be effectively mitigated providing regulation does not set an unreasonable standard. The proposed threshold of 100% of total risk based capital for construction, land development, and other land; and 300% of total loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land, in my opinion are too low. A more reasonable standard would be 200% and 400% respectively. The regional aspect of the issue should also be considered. Economic declines influence some regions of the country more negatively than others. Historically, in the state of Utah, declines are less sharp and recoveries somewhat quicker than other areas of the country.

I would hope in the final analysis that you would seriously take into consideration the foregoing as well as the following:

1. In the state of Utah, state chartered banks are governed by an imposed “legal lending limit” restricting loans in the aggregate to any one individual to maximum of 15% of capital. This requires banks to spread risk over a broader range of borrowers avoiding exclusive concentrations.

2. A “one size fits all” approach to the issue is not in the best interest of small community banks. Community banks currently work in a more restricted lending environment as a product of size. The scope of small bank commercial credits provides less risk in comparison to the larger, more complex loans that larger institutions pursue.

3. The move to eliminate owner occupied commercial loans from the analysis is a step forward. However, the same consideration should be applied to residential construction loans with a well defined and documented take-out commitment from a reliable lender. There is no question that a speculative residential construction loan provides substantially more risk than one supported with a long term take-out commitment. Residential construction loans with a valid take-out commitment should be considered separately and given a higher threshold than speculative construction loans.

4. Land loans should also be given similar thought. Land acquisition loans for the purpose of development, where the source of repayment is the sale of lots, present more risk than a land loan to a borrower who has the income to support a monthly payment over time. A land loan structured with monthly payments to a qualified buyer does not present an uncommon risk to the bank.

I appreciate the FDIC and other regulatory authorities reviewing this important issue and taking the time to assess comments from the industry. I believe both banks and regulators have the same goal; to provide a safe and sound industry moving forward. I look forward to reviewing the final interagency guidance. Thank you.

Sincerely,

Craig W. Forsyth
CEO