

# PARAGON COMMERCIAL BANK

March 24, 2006

Mr. Robert E. Feldman, Executive Secretary Regulation Comments  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

Re: Concentration in Commercial Real Estate Lending: Sound Risk Management  
Practices 71 Fed Reg. 9, 2302 (January 13, 2006)

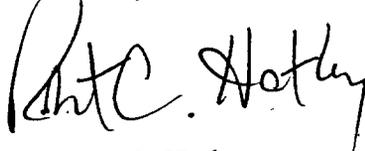
In response to the proposed guidance entitled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, we express our concern as outlined below:

The regulation in itself is broad in scope and is not very clear and does not appear to take into consideration the impact on smaller sized banks. The thresholds seem to be too low and arbitrary. More information as to how these thresholds were derived should be provided. The imposition of the thresholds could significantly reduce CRE lending in numerous markets which would affect profitability and jobs.

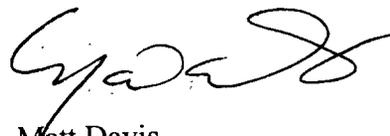
Secondly, the absence of specifics regarding management strategies and agency expectations is of concern. The implication is that institutions with an established track record of sound risk management practices in CRE may not receive adequate consideration and/or credit and may be expected to unduly reduce its CRE concentration or increase its capital. Without looking at the specifics of each institution's track record, underwriting standards and borrowers' expertise, a blanket approach to managing CRE is not considered adequate. Flexibility is needed to allow institutions to continue to make bread and butter CRE loans to well qualified borrowers.

For the above referenced reasons do we respectfully request that you consider substantially amending the proposed guidance.

Sincerely,



Robert C. Hatley  
President and CEO



Matt Davis  
Chief Credit Officer