



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-104-2006
December 12, 2006

COMMERCIAL REAL ESTATE LENDING

Joint Guidance

Summary: The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System have issued the attached joint *Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*. The guidance reminds institutions that strong risk management practices and appropriate levels of capital are essential elements of a sound commercial real estate (CRE) lending program, particularly when an institution has a concentration in CRE loans.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Loan Officer
Compliance Officer

Related Topic:

Real Estate Lending Standards

Attachment:

Joint Guidance

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Note:

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Highlights:

- The agencies are concerned that rising CRE concentrations may expose institutions to unanticipated earnings and capital volatility in the event of adverse changes in the general commercial real estate market.
- The attached guidance addresses sound risk management practices for concentrations in CRE lending. It reinforces existing regulations and guidelines for real estate lending and safety and soundness.
- The guidance provides supervisory criteria, including numerical indicators, for identifying institutions with potentially significant CRE loan concentrations that may warrant greater supervisory scrutiny.
- The guidance is not intended to limit banks' CRE lending, as the agencies recognize that banks serve a vital role in their communities by supplying credit for business and real estate development.