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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Paper copies of FDIC financial institution letters may be obtained from the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (1-877-275-3342 or 703-562-2200).

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.