



**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

**Contact:**

Senior Examination Specialist Patricia A. Colohan  
at [Pcolohan@fdic.gov](mailto:Pcolohan@fdic.gov) or (202) 898-7283

**Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2006/index.html](http://www.fdic.gov/news/news/financial/2006/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

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.