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Joint Release

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency  
Office of Thrift Supervision**

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For immediate release

January 10, 2006

**Federal Bank and Thrift Agencies Propose Guidance On Commercial Real Estate Lending**

The federal bank and thrift regulatory agencies on Tuesday issued for comment proposed guidance on sound risk management practices for concentrations in commercial real estate lending.

The agencies have observed that some institutions have high and increasing concentrations of commercial real estate loans where repayment primarily is dependent on rental income or from the proceeds of the sale, refinancing, or permanent financing of the property. Such concentrations may expose institutions to unanticipated earnings and capital volatility in the event of adverse changes in the general commercial real estate market.

The proposed guidance--from the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision--reinforces existing guidelines for real estate lending and safety and soundness. It provides criteria for identifying institutions with commercial real estate loan concentrations that may warrant greater supervisory scrutiny. As provided in the guidance, such institutions should have robust risk-management systems in place and capital levels higher than the regulatory minimums and appropriate to the risk associated with these concentrations.

Comments are requested on all aspects of the guidance and are due 60 days after publication in the Federal Register, expected shortly. The guidance is attached.

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**Attachment:**

- Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices
- Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices - PDF 84k (PDF Help)

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