



PRESS RELEASE

Federal Deposit Insurance Corporation

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Media Contact:
Andrew Gray 202-898-7192

Federal Deposit Insurance Corporation Stresses Importance of Managing Commercial Real Estate Concentrations

The Federal Deposit Insurance Corporation (FDIC) has issued a letter re-emphasizing the importance of strong capital and loan loss allowance levels, and robust credit risk-management practices for state nonmember institutions with significant concentrations of commercial real estate (CRE) loans, and construction and development loans. The Financial Institution Letter, *Managing Commercial Real Estate Concentrations in a Challenging Environment*, complements the principles articulated in the December 6, 2006, interagency statement titled *Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices*.

FDIC Chairman Sheila C. Bair said, "Although commercial real estate lending can be a profitable business line for banks, it is a good time to re-emphasize the 2006 guidance because a number of banks have significant CRE concentrations, and the weakness in housing across the country may have an adverse effect on those institutions. Banks with CRE concentrations should take steps to strengthen their overall risk-management framework and maintain strong capital and loan loss allowances. We encourage institutions to continue making commercial real estate and construction and development loans available in their communities using prudent, time-tested lending standards that rely on strong underwriting and loan administration practices."

The Letter recommends that state nonmember banks with significant CRE loan concentrations increase or maintain strong capital levels, ensure that loan loss allowances are appropriately strong, manage portfolios closely, maintain updated financial and analytical information, and bolster loan workout infrastructures.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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