



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

Financial Institution Letter
FIL-62-2015
December 18, 2015

Statement on Prudent Risk Management for CRE Lending

Summary: The Federal banking agencies¹ are issuing an interagency statement to highlight prudent risk-management practices from existing guidance that regulated financial institutions should apply in the management of their commercial real estate (CRE) lending activity. Financial institutions should implement risk-management practices and maintain capital levels commensurate with the level and nature of their CRE concentration risk.

Statement of Applicability to Institutions With Total Assets Under \$1 Billion: This Financial Institution Letter applies to all FDIC-supervised institutions.

Distribution:

FDIC-Supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Lending Officer

Related Topics:

FIL-104-2006, Interagency Guidance on Concentrations in Commercial Real Estate, <https://www.fdic.gov/regulations/laws/federal/2006/06notice1212.html>

Attachment:

[Statement on Prudent Risk Management for Commercial Real Estate Lending](#)

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Note:

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¹ The Federal banking agencies include the Federal Deposit Insurance Corporation, the Board of the Federal Reserve System, and the Office of the Comptroller of the Currency.

Highlights:

- Financial institutions with weak risk-management practices and high CRE credit concentrations are exposed to a greater risk of loss and failure.
- The agencies' examination and industry outreach activities have revealed an easing of CRE underwriting standards.
- Financial institutions should maintain underwriting discipline and exercise prudent risk-management practices that identify, measure, monitor, and manage the risks arising from their CRE lending activity.
- The agencies' review of CRE lending activities will focus on financial institutions' implementation of the prudent principles in applicable guidance relative to identifying, measuring, monitoring, and managing concentration risk in CRE lending activities.