

Press Releases

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OTS 06-001 - Federal Bank and Thrift Agencies Proposed Guidance on Commercial Real Estate Lending

Office of Thrift Supervision

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For further information

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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**

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.

Federal Register - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-01a.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.