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Office of the Comptroller of the Currency  
250 E Street, S.W.  
Attention: Public Information Room, Mail Stop 1-5  
Washington, DC 20219

Ms. Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, DC 20551

Mr. Robert E. Feldman  
Executive Secretary  
Attention: Comments  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, DC 20429

Regulation Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, DC 20552  
Attention: No. 2006-01

Re: Proposed Guidance on Concentrations in Commercial Real Estate  
Lending, Sound Risk Management Practices (OCC Docket No. 06-01;  
Federal Reserve Docket No. OP-1248; FDIC; OTS No. 2006-01)

Ladies and Gentlemen:

The Real Estate Roundtable ([www.rer.org](http://www.rer.org)) is pleased to provide comments on the January 13, 2006, proposal of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, "the Agencies") for a guidance on "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices" ("the Guidance"). The Real Estate Roundtable supports the Agencies' efforts to ensure the safety and soundness of the banking system and, in particular the stability of the commercial real estate markets, through the proposed Guidance. At the same time, the Roundtable urges the Agencies to monitor closely the manner in which the Guidance is applied and administered throughout the United States in order to ensure that no unintended and destabilizing consequences occur in any individual local markets that might undermine the Guidance's goal of ensuring continued economically sound lending.

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The Real Estate Roundtable and its members lead an industry that generates more than 20 percent of America's gross national product, employs more than 9 million people, and produces nearly two-thirds of the taxes raised by local governments for essential public services. Our members are senior real estate industry executives from the U.S.'s leading income-producing real property owners, managers and investors; the elected heads of America's leading real estate trade organizations; as well as the key executives of the major financial services companies involved in financing, securitizing, or investing in income-producing properties.

The Real Estate Roundtable strongly supports the Agencies' efforts to promote economically responsible commercial real estate lending that reflects sound underwriting and risk management practices. In this regard, the Roundtable firmly believes that banks should not be treated punitively for making sensibly underwritten acquisition, development, and construction loans. But we also share the Agencies' concern that rapid growth in the commercial real estate portfolios of certain institutions, and attendant weaknesses in control and reporting practices, may have resulted in some uneconomic lending that could threaten both the safety and soundness of the institutions involved and the proper functioning of the commercial real estate market. Thus, the Roundtable does not advocate regulatory policy that allows uneconomic lending on real property that is not appropriately collateralized or not supported by adequate pre-sales or pre-leasing. Rather, we support regulatory policy that encourages sound lending standards by which real estate loans are sensibly underwritten, economic risk is rationally priced, and loans are appropriately collateralized with substantial equity and/or adequate pre-sales or pre-leasing. Within this context, we believe that the proposed Guidance constitutes a prudent step to ensure that the commercial real estate lending market continues to function with the appropriate level of discipline.

The risk management principles and capital adequacy guidelines outlined in the Guidance appear to reflect best practices to which all U.S. depository institutions are already expected to adhere in connection with their commercial real estate lending activities. It is therefore our understanding that the Guidance does not impose new requirements on institutions found to be heavily concentrated in commercial real estate lending. Rather, the Guidance reiterates existing requirements applicable to all financial institutions and calls on identified institutions and their examiners to pay special attention to such requirements as they apply to the institutions' real estate loan portfolios. If our understanding is incorrect in this respect, we urge the Agencies to clarify the Guidance to reflect any contrary intention regarding new requirements.

Although the Real Estate Roundtable does not have an objection to the Guidance itself in its present form, we believe the Agencies should take appropriate steps to actively monitor the application and administration of the Guidance by their supervisory personnel throughout the country. As the Agencies are well aware, overzealous or inconsistent application and enforcement of the Guidance could lead to unintended consequences for the commercial real estate market and, in turn, for those depository institutions the Guidance is meant to protect. Commercial banks constitute our nation's largest source of commercial real estate financing. A sudden and significant contraction of bank credit available for commercial real estate could lead to a decline in property values and in the economic condition of existing borrowers. Such a decline would, in turn, reduce the quality of outstanding loans and thus threaten the health of banks that are significantly concentrated in commercial real estate, which would likely lead such banks to further curtail credit. Unfortunately, we have experienced such vicious cycles in the past and seen the consequences for our economy as a whole. This experience underscores the importance of ensuring that the Guidance is applied and administered with care; otherwise, the Guidance can become a self-fulfilling prophecy, inducing the very same consequences it seeks to prevent.

Letter to the Office of the Comptroller of the Currency  
Board of Governors, Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of Thrift Supervision  
March 15, 2006  
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Accordingly, it is vital that the Agencies appropriately monitor the application and administration of the Guidance to ensure that such application and administration is balanced, consistent and otherwise conforms to the Agencies' intentions. As one element of such monitoring, the Roundtable respectfully suggests that the Agencies sponsor periodic industry forums. These forums would permit institutions, their customers, and other interested parties to provide feedback to the Agencies on the implementation of the Guidance in the field. Such forums, held on a quarterly or semiannual basis, could serve as an early warning system to alert the Agencies regarding potential issues with respect to the administration and implementation of the Guidance. This feedback would allow the Agencies to address appropriately any possible overreaction to the Guidance by supervisory personnel or by the institutions they supervise that might threaten the soundness of the banking system or the stability of the real estate lending market on which such soundness depends in significant part.

We trust that the Agencies will find our few comments helpful. Should you have questions or require additional information, please contact Clifton E. Rodgers, Jr., by telephone at (202) 639-8400 or by email at [crodgers@rer.org](mailto:crodgers@rer.org).

Thank you for the opportunity to comment on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff DeBoer". The signature is fluid and cursive, with a large initial "J" and "D".

Jeffery D. DeBoer  
President and Chief Executive Officer