



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 15-17**

**December 18, 2015**

**TO THE OFFICER IN CHARGE OF SUPERVISION  
AT EACH FEDERAL RESERVE BANK**

**SUBJECT: Interagency Statement on Prudent Risk Management for Commercial Real  
Estate Lending**

**Applicability:** This guidance applies to all state member banks, bank holding companies, and savings and loan holding companies, regardless of the asset size of the supervised institution.

The Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (agencies) are issuing the attached *Statement on Prudent Risk Management for Commercial Real Estate Lending* to remind financial institutions of existing regulatory guidance on prudent risk management practices for commercial real estate (CRE) lending activity through economic cycles.

The agencies have observed substantial growth in many CRE asset and lending markets, increased competitive pressures, and an easing of CRE underwriting standards. Therefore, the agencies are issuing this statement to remind financial institutions to maintain underwriting discipline and exercise prudent risk management practices that identify, manage, monitor, and control the risks arising from their CRE lending activity. The statement also reminds financial institutions that they should have risk-management practices commensurate with the level and nature of their CRE concentration risk. An attachment to the statement provides a listing of interagency regulations and guidance documents related to CRE.

Federal Reserve Banks are asked to distribute this letter to supervised institutions in their districts, as well as to supervisory and examination staff. For questions related to this advisory, please contact Donald Gabbai, Senior Supervisory Financial Analyst, at (202) 452-3358. In addition, questions may be sent via the Board's public website.<sup>1</sup>

Michael S. Gibson  
Director

Attachment:

- *Statement on Prudent Risk Management for Commercial Real Estate Lending*

Cross References to:

- SR Letter 13-17, "Interagency Supervisory Guidance Addressing Certain Issues Related to Troubled Debt Restructurings"
- SR Letter 12-7, "Supervisory Guidance on Stress Testing for Banking Organizations with More Than \$10 Billion in Total Consolidated Assets"
- SR Letter 10-16, "Interagency Appraisal and Evaluation Guidelines"
- SR Letter 09-7, "Prudent Commercial Real Estate Loan Workouts"
- SR Letter 07-1, "Interagency Guidance on Concentrations in Commercial Real Estate"
- SR Letter 06-17, "Interagency Policy Statement on the Allowance for Loan and Lease Losses (ALLL)"
- SR Letter 05-14, "Interagency FAQs on Residential Tract Development Lending"
- SR Letter 01-17, "Final Interagency Policy Statement on Allowance for Loan and Lease Losses (ALLL) Methodologies and Documentation for Banks and Savings Institutions"

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<sup>1</sup> See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.