

[Date]

To: [Executive Management / Lending Officers / Board of Directors]

From: [Credit Risk Department / Chief Credit Officer]

Subject: Guidance Letter: Updated Commercial Real Estate (CRE) Lending Policy

1. Purpose

The purpose of this letter is to provide formal guidance on the institution's updated policies regarding Commercial Real Estate (CRE) lending. This guidance ensures alignment with current regulatory expectations and internal risk appetite.

2. Portfolio Concentration Limits

All lending activities must adhere to the following concentration thresholds:

- Total CRE exposure shall not exceed [Percentage]% of total risk-based capital.
- Construction and Land Development (CLD) loans are capped at [Percentage]% of total capital.
- Property type limits (e.g., Office, Retail, Multi-family) are defined in the attached Appendix A.

3. Underwriting Standards

Loan approvals must satisfy the following minimum criteria:

- **Debt Service Coverage Ratio (DSCR):** Minimum of [Ratio, e.g., 1.25x].
- **Loan-to-Value (LTV):** Maximum of [Percentage]% for improved property and [Percentage]% for raw land.
- **Recourse:** Personal guarantees are required for all transactions unless a specific waiver is granted by the Credit Committee.

4. Market Analysis and Stress Testing

Each loan application must include a comprehensive market analysis. Lending officers are required to perform stress tests on interest rates and vacancy rates to evaluate the borrower's ability to perform under adverse economic conditions.

5. Appraisal and Valuation

Independent third-party appraisals must be obtained for all new credit extensions. Appraisals must comply with [Regulatory Standard, e.g., FIRREA] and be reviewed internally by the Valuation Department prior to loan closing.

6. Monitoring and Reporting

Borrowers are required to submit operating statements and rent rolls on a [Quarterly/Annual] basis. Any deviation from original pro-forma projections exceeding [Percentage]% must be reported to the Portfolio Manager immediately.

7. Effective Date

This guidance is effective as of [Effective Date] and applies to all new applications and renewals currently in the pipeline.

Sincerely,

[Signature]

[Name]

[Title]