

[Company Letterhead / Logo]

[Date]

To: [Internal Credit Team / Lending Officers / Stakeholders]

From: [Credit Risk Department / Chief Credit Officer]

Subject: Updated Underwriting Standards for Commercial Real Estate (CRE) Lending

Dear Team,

This letter provides formal guidance on the minimum underwriting standards required for all new and renewing Commercial Real Estate loans effective [Effective Date]. These standards are designed to ensure portfolio quality and regulatory compliance.

1. Financial Analysis and Debt Service Coverage

- Minimum Debt Service Coverage Ratio (DSCR): [e.g., 1.25x] based on actual net operating income.
- Global Cash Flow analysis is required for all recourse loans and guarantor-supported transactions.
- Stress testing must be applied to interest rates (minimum [X]% increase) and vacancy rates.

2. Loan-to-Value (LTV) Limits

- Improved Commercial Property: Maximum [e.g., 75%] LTV.
- Land Development: Maximum [e.g., 65%] LTV.
- Raw Land: Maximum [e.g., 50%] LTV.

3. Collateral and Documentation

- Certified appraisals must be ordered by the institution, not the borrower, and must be dated within [X] months.
- Phase I Environmental Site Assessments are required for all commercial properties.
- Rent rolls and operating statements for the past [X] years must be verified.

4. Market Analysis

- Each credit memo must include a sub-market analysis addressing absorption rates and competitive supply.
- Concentration limits for [Specific Property Type] will be strictly monitored.

Adherence to these standards is mandatory. Exceptions must be documented and approved by the [Credit Committee/Senior Management].

Regards,

[Signature]
[Name]
[Title]