

## **Industry News: CRE Credit Issues**

Federal Deposit Insurance Corp. Chairman Sheila C. Bair said she expects that banks will see higher delinquency and charge-off rates on commercial real estate loans which will likely lead to escalating bank failures in coming quarters. Commercial real estate loans backed by income-producing nonfarm, nonresidential properties or multifamily real estate totaled \$1.3 trillion as of September, or nearly 18% of total loans and leases. Over the past year alone, noncurrent CRE loans on income-producing properties have risen by 250% to \$44.8 billion, Bair said. "Excessive concentrations of credit risk, especially in construction and development portfolios, are contributing to the large number of bank failures and creating significant problems at institutions across the country," Bair said. The FDIC is considering creating a permanent safe harbor that would protect securitized assets, including those backing high-quality loans, from seizure by regulators in the event of a bank failure as long as securities are accounted for as a sale and taken off the bank's balance sheet.

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