Environmental Bankers Association

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April 10, 2006

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

Dear Mr. Feldman:

The Environmental Bankers Association is a non-profit trade association that represents the financial services industry including bank and non-bank financial institutions. We would like to provide the following comments in relation to "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices (Guidance)." While we have no specific opinions regarding the Capital Requirements as described in the Guidance document, we do have comments, observations and suggestions related to the Risk Management requirements.

The EBA notes that this Joint Guidance Document neglects to discuss environmental credit risk management issues that should be incorporated into any commercial real estate (CRE) risk management program. Managing environmental risks are clearly something that should be incorporated into what is defined as "heightened risk management practices." While environmental issues may not be a priority for many lenders of commercial real estate, we believe addressing environmental issues should be a formal part of any lender's credit risk management policy, procedures and practice. Even though environmental risk management may not present a direct liability to lenders, lenders still can be subject to collateral devaluation, cash flow impairment and image risk resulting from potential loss exposures from environmental issues.

We understand the intent of this guidance document is to encourage lenders to consider whether or not they may be overly concentrated in real estate. However, it seems clear that understanding the environmental risks that CRE presents to the institution can only help reduce the loss in the event of default and help the institution maintain applicable safety and soundness requirements. It would appear that this addition could be added as a bullet under the Underwriting heading.

The guidance document also mentions that management should compare its underwriting standards to that of the secondary markets. From an environmental standpoint, the secondary markets require environmental risk management or environmental due diligence practices, such as a Phase I Environmental Site Assessment or environmental insurance to be used for many of the transactions. The extent and application of these tools would be based on the lenders' risk tolerance and risk thresholds. These due diligence approaches may appear to be much more onerous than necessary for all CRE transactions. However, should this recommendation remain in the document, some form of environmental due diligence should be considered or performed to ensure that the CRE would qualify for the secondary market.

The Environmental Bankers Association has been in existence since 1994 and has continually emphasized the importance of sound environmental credit and trust risk management practices within the lending community. Our intention with these comments is to echo our message within the Guidance Document that the Joint Agencies are proposing.

Thank you very much for your consideration of these suggestions. We will comment further if you wish more information about our organization or environmental risk issues facing lenders.

Sincerely yours,

Dean Jeffery Telego

Dean Jeffery Telego
Executive CO-Director
Environmental Bankers Association