In managing CRE concentration levels, institutions are also encouraged to consider other credit exposures correlated to the CRE market such as commercial mortgage-backed securities.

Market Analysis. Institutions should perform ongoing evaluations of the market conditions for the various property types and geographic areas or markets represented in their portfolio. Market analysis is particularly important as an institution expands its geographic scope of operations into new markets. In making decisions about new markets and new originations, market analysis should be an important evaluation criterion for individual credits as well as for the portfolio. Institutions should utilize multiple sources for obtaining market information such as published research data, monitoring new building permits, and maintaining contacts with local contractors, builders, real estate agents, and community development groups.

Management should ensure that the institution's CRE lending strategy and portfolio risk assessments integrate the findings of its market analysis and evaluation. Moreover, market information should provide management with sufficient information to determine whether revisions to its CRE lending strategy and policies are necessary to respond to identified market trends, and to form the basis for its stress testing.

Portfolio Stress Testing. Institutions should consider performing portfolio level stress tests of their CRE exposures to quantify the impact of changing economic scenarios on asset quality, earnings, and capital. The Agencies recognize that portfolio level stress testing is an evolving process and encourage institutions to consider its use as a risk management tool and to review periodically the adequacy of stress testing practices relative to their CRE exposures. The sophistication of stress testing practices should be consistent with the size and complexity of the institution's CRE loan portfolio.

Portfolio stress testing does not necessarily require the use of a sophisticated portfolio model. Depending on the risk characteristics of the CRE portfolio, it may be appropriate for a stress test to be as simple as an aggregation of the results of individual loan stress tests, testing the impact of ratings migration, or applying stressed historical loss rates to the portfolio. Stress tests should focus on the more vulnerable segments of an institution's CRE portfolio, given the prevailing market environment and the institution's business strategy.

Allowance for Loan Losses. Institutions also should consider CRE concentrations in their assessment of the adequacy of the allowance for loan and lease losses. The Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions provides guidance on criteria that institutions should consider when evaluating groups of loans with common risk characteristics.

Capital Adequacy

The Agencies' capital adequacy guidelines note that institutions should hold capital commensurate with the level and nature of the risks to which they are exposed and that institutions with high or inordinate levels of risk are expected to operate well above minimum regulatory capital requirements. Minimum levels of regulatory capital [7] do not provide institutions with sufficient buffer to absorb unexpected losses arising from loan concentrations.[8] Failure to maintain an appropriate cushion for concentrations is inconsistent with the Agencies' capital adequacy guidelines. Moreover, an institution with a CRE concentration should recognize the need for additional capital support for CRE concentrations in its strategic, financial, and capital planning, including an assessment of the potential for future losses on CRE exposures.

In performing its internal capital analysis, an institution should make use of the results of any stress testing and other quantitative and qualitative analysis. The internal capital analysis should also reflect the possibility that any historical correlations used might not remain stable under stress conditions. For larger, more complex institutions that employ formal quantitative economic capital systems, the analysis of concentrations should provide for an adequate ''cushion'' above model outputs to compensate for potential uncertainties in risk measurement.

In assessing the adequacy of an institution's capital, the Agencies will take into account analysis provided by the institution as well as an evaluation of the level of inherent risk in the CRE portfolio and the quality of risk management based on the sound practices set forth in this Guidance.

Supervisory Evaluation and Action

The CRE sound practices set forth in this Guidance are effective methods for addressing the increased risks associated with CRE concentrations, and illustrate the types of practices that the Agencies consider important elements of sound risk management and adequate capital. An institution that is unable to adequately assess and meet its capital needs may be required to develop a plan for reducing its concentrations or for achieving higher capital ratios.

This concludes the text of the proposed Guidance entitled, Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices.

Dated: January 6, 2006.

John C. Dugan,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, January 10, 2006.

Jennifer J. Johnson,

Secretary of the Board.

Dated at Washington, DC, this 9th day of January, 2006.

By order of the Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

Dated: January 9, 2006.

By the Office of Thrift Supervision.

John M. Reich,

Director.

[FR Doc. 06–340 Filed 1–12–06; 8:45 am]

BILLING CODE 4810–33–U; 6210–01–U; 6714–01–U; 6720–01–U

[7] Most CRE exposures are risk-weighted at 100 percent. By statute, however, certain loans made for the construction of single-family housing and certain multifamily housing loans are risk-weighted at 50 percent. See 12 U.S.C. 1831n note (Risk-Weighting of Housing Loans for Purposes of Capital Requirements). The Agencies have codified these statutory risk-weighting requirements in their regulations at 12 CFR Part 3, Appendix A, Section 3 (OCC); 12 CFR Part 208, Appendix A, Section III. C. (FRB); 12 CFR Part 325, Appendix A, Section II.C. (FDIC); and 12 CFR 567.6(a)(1)(iii) (50% risk-weights for ''qualifying multifamily mortgage loan'' and ''qualifying residential construction loan'' as defined in 12 CFR 567.1) (OTS).

[8] Depending upon the level and nature of the CRE concentration, an institution may need to maintain capital at levels exceeding the ''well capitalized'' standard to ensure the overall sound financial condition of the institution.

DEPARTMENT OF VETERANS AFFAIRS

Health Services Research and Development Service Scientific Merit Review Board; Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92–463, Federal Advisory Committee Act, that a meeting of the Health Services Research and Development Service Scientific Merit Review Board will be held March 7–9, 2006, at the Crowne Plaza Hotel (Atlanta-Ravinia), 4355 Ashford Dunwoody Road, Atlanta, Georgia. Each subcommittee meeting of the Merit Review Board will be open to the public the first day convened for approximately one half-hour from 8 a.m. until 8:30 a.m. to cover administrative matters and to discuss the general status of the program. The remaining portion of each meeting will be closed. The closed portion of the meeting will involve discussion, examination, reference to, and oral review of the research proposals and critiques.

On Tuesday, March 7, 2006, an orientation session will be held from 7 p.m. to 9 p.m. On Wednesday, March 8, 2006, five subcommittees will convene from 8 a.m. to 5 p.m.—Implementation and Management Research Science, Chronic Disease Management, General Health Services Research, Special Populations and the Nursing Research Initiative (NRI). On Thursday, March 9, 2006, five subcommittees will convene from 8 a.m. to 5 p.m.—Implementation and Management Research Science (continuation), Special Populations (continuation), General Health Services Research (continuation), Chronic Disease Management (continuation) and Equity/Women's Health review group.

The purpose of the Board is to review research and development applications concerned with the measurement and evaluation of health care services, the testing of new methods of health care delivery and management, and nursing research. Applications are reviewed for scientific and technical merit. Recommendations regarding funding are prepared for the Chief Research and Development Officer.

After the subcommittees meet there will be a debriefing provided to members of Health Services Research & Development Service Scientific Merit Review Board. This debriefing, by teleconference, will be held to discuss the outcomes of the review sessions and to ensure the integrity and consistency of the review process.

During the closed portion of the meeting, discussion and recommendations will include qualifications of the personnel conducting the studies (the disclosure of which would constitute a clearly unwarranted invasion of personal privacy), as well as research information (the premature disclosure of which would be likely to compromise significantly the implementation of proposed agency action regarding such research projects). As provided by subsection 10(d) of Public Law 92–463, as amended by Public Law 94–409, closing portions of these meetings is in accordance with 5 U.S.C. 552b(c)(6) and (9)(B).

Those who plan to attend the open session should contact the Scientific Merit Review Program Manager (124R), Health Services Research and Development Service, Department of Veterans Affairs, 1722 Eye Street, NW., Washington, DC, 20006 at least five days before the meeting. For further information, call (202) 205–0207.

By Direction of the Secretary.

Dated: January 6, 2006.

E. Philip Riggin,

Committee Management Officer.

[FR Doc. 06–293 Filed 1–12–06; 8:45 am]

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DEPARTMENT OF VETERANS AFFAIRS

Advisory Committee on Homeless Veterans, Notice of Meeting

The Department of Veterans Affairs (VA) gives notice under Public Law 92–463 (Federal Advisory Committee Act) that a meeting of the Advisory Committee on Homeless Veterans will be held February 8–10, 1006. The Committee will meet at 8 a.m. to 4:30 p.m. each day in the Oasis Room at the Hamilton Crowne Plaza Hotel, 1001 14th Street, NW., Washington, DC. The meeting is open to the public.

The purpose of the Committee is to advise the Secretary of Veterans Affairs with an ongoing assessment of the effectiveness of the policies, organizational structures, and services of the Department in assisting homeless veterans. The Committee shall assemble and review information relating to the needs of homeless veterans and provide ongoing advice on the most appropriate means of providing assistance to homeless veterans. The Committee will make recommendations to the Secretary regarding such activities.

On February 8 and 9, the Committee will receive reports from program experts, assess the availability of health care and benefit services, receive reports from other federal departments and advocacy groups and review other initiatives designed to assist veterans who are homeless. On February 10, the Committee will review the 2005 annual report responses, review future issues for consideration at its next meeting and prepare to develop its 2006 annual report.

Those wishing to attend the meeting should contact Mr. Pete Dougherty, Designated Federal Officer, at (202) 273–5764. No time will be allocated for receiving oral presentations during the public meeting. However, the Committee will accept written comments from interested parties or issues affecting homeless veterans. Such comments should be referred to the Committee at the following address:

Advisory Committee on Homeless Veterans, Homeless Veterans Programs Office (075D), U.S. Department of Veterans Affairs, 810 Vermont Avenue, NW., Washington, DC 20420.

Dated: September 9, 2005.

By Direction of the Secretary.

E. Philip Riggin,

Committee Management Officer.

[FR Doc. 06–294 Filed 1–12–06; 8:45 am]

BILLING CODE 8320–01–M