

# Federal Agencies Issue Joint Policy Statement for Commercial Real Estate Loan Workouts

August 01, 2023

On June 29, 2023, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and National Credit Union Administration (the agencies) jointly issued a final [policy statement](#) on prudent commercial real estate (CRE) loan accommodations and workouts. The policy statement is substantially similar to a proposal issued last year and includes minor changes in response to comments. The policy statement updates and supersedes the previous guidance on commercial real estate loan workouts issued in 2009.

The new policy statement addresses supervisory expectations from the agencies with respect to a financial institution's handling of CRE loan accommodations and workouts including (1) risk management, (2) loan classification, (3) regulatory reporting, and (4) accounting considerations.

Notably, the policy statement adds a section on short-term loan accommodations. An accommodation includes an agreement to defer one or more payments, make a partial payment, or provide other assistance or relief to a borrower who is experiencing a financial challenge. Short-term loan accommodations could be used as tools before a loan warrants a longer-term or more complex workout arrangement. The policy statement also reflects changes in U.S. generally accepted accounting principles (GAAP) since 2009 and provides three new examples of CRE loan workout arrangements.

The policy statement is applicable to all financial institutions supervised by the agencies and is inclusive of certain changes and explanations resulting from more than twenty unique comments from banking organizations, credit unions, and others.

---

Reprinted with permission from the *American Bar Association's Business Law Today July Month-In-Brief: Business Regulation & Regulated Industries*.

## Related people

Taylor Bennington