

Commercial Real Estate (CRE)

Loans: Guidance on Prudent CRE Loan Workouts

Replaced – See OCC 2023-23

To

Chief Executive Officers of All National Banks, Department and Division Heads, and All Examining Personnel

The guidance attached to this bulletin continues to apply to federal savings associations.

The Federal Financial Institutions Examination Council (FFIEC) today released a policy statement, adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the FFIEC State Liaison Committee, on prudent commercial real estate loan workouts. This policy statement replaces the Interagency Policy Statement on the Review and Classification of Commercial Real Estate

Loans, reprinted in Appendix A of the Commercial Real Estate and Construction Lending booklet of the Comptroller's Handbook, November 1995.

The OCC recognizes that prudent loan workouts are often in the best interest of both financial institutions and borrowers, particularly during difficult economic conditions. This policy statement provides guidance on risk management practices for loan workouts that support prudent and pragmatic credit and business decision making within the framework of financial accuracy, transparency, and timely loss recognition.

Financial institutions that implement prudent loan workout arrangements after performing a comprehensive review of a borrower's financial condition will not be subject to examiner criticism for engaging in these efforts, even if the restructured loans have weaknesses that result in adverse credit classification. In addition, renewed or restructured loans to borrowers who have the ability to repay their debts according to reasonable modified terms will not be subject to adverse classification solely because the value of the underlying collateral has declined.

The policy statement includes a series of examples of commercial real estate loan workouts, provided for illustrative purposes only, which reflect examiners' analytical process for credit classification and assessment of the institution's accounting and reporting treatment for restructured loans. The policy statement reiterates existing guidance, which states that examiners are expected to take a balanced approach in assessing an institution's risk management practices for loan workout activity.

For further information, contact Darrin Benhart, Director for Commercial Credit Risk at (202) 649-6670 or, for accounting related issues, contact your district accountant.

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Related Links

- [Policy Statement on Prudent Commercial Real Estate Loan Workouts](#)

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