



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-50-2018
September 18, 2018

Regulatory Capital Rules Revised Definition of a High Volatility Commercial Real Estate (HVCRE) Exposure

Summary: The federal bank regulatory agencies (the agencies) have jointly issued a notice of proposed rulemaking (NPR) that would revise the definition of an HVCRE exposure in Part 324, in accordance with Section 214 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*, and provide interpretation on certain aspects of the revised HVCRE exposure definition.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter is applicable to all banks.

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Related Topics:

Risk-Based Capital Rules, 12 CFR Part 324

Attachment:

[Regulatory Capital Treatment for High Volatility Commercial Real Estate \(HVCRE\) Exposures](#)

Contact: Ben Bosco, Chief Capital Policy, at bbosco@fdic.gov or (202) 898-6853;

Michael Maloney, Senior Policy Analyst, at mmaloney@fdic.gov or (202) 898-6516;

David Riley, Senior Policy Analyst, at dariley@fdic.gov or (232) 898-3728; or

regulatorycapital@fdic.gov or (202) 898-6888

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Highlights

The NPR would revise the definition of an HVCRE exposure to conform to the statutory definition of a high volatility commercial real estate acquisition, development, or construction (HVCRE ADC) loan, which includes a credit facility that:

- Is secured by real property; primarily finances, has financed, or refinances acquisition, development, or construction of real property; has the purpose of providing financing to acquire, develop, or improve such real property into income-producing property; and is dependent on future income or sales proceeds from, or refinancing of, such real property for repayment.

The NPR also would exclude loans financing the acquisition, development or construction of the following real properties:

- One-to four-family residential properties; community development projects; agricultural land; existing income-producing property secured by permanent financings; certain commercial real property projects; real property where the loan has been reclassified as a non-HVCRE ADC loan; and real estate where the loan was made before January 1, 2015.

Finally, the NPR proposes interpretations of certain terms generally consistent with their usage in other relevant regulations or the instructions to the Call Report.