



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

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

Summary: The federal banking agencies (the agencies) jointly issued a final rule that revises the definition of a “high volatility commercial real estate” (HVCRE) exposure in the regulatory capital rules in accordance with Section 214 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. The final rule provides interpretations of certain aspects of the revised HVCRE exposure definition, including the regulatory capital treatment for land development loans.

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This Financial Institution Letter is applicable to all FDIC-supervised depository institutions.

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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](#)

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Highlights:

- The final rule revises 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.
- An HVCRE ADC loan 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.
- Credit facilities that meet the definition of an HVCRE exposure and do not qualify for an exclusion or other credit risk mitigation receive a 150 percent risk weight.
- The final rule provides exclusions from HVCRE, including 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.
- The final rule provides interpretations of certain terms generally consistent with the instructions to the Consolidated Reports of Condition and Income (Call Report). The final rule will take effect on April 1, 2020. The agencies are not requiring institutions to reevaluate ADC loans made prior to the effective date.