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## Regulators Release Updated Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts\*

On June 29, 2023, the federal financial regulators (including the OCC, FRB, FDIC, and NCUA) issued an updated Policy Statement on Prudent Commercial Real Estate Loan Accommodations and Workouts (the "2023 Policy Statement"), updating their prior interagency policy statement on the topic issued in October 2009 (the "2009 Policy Statement").

The 2023 Policy Statement addresses supervisory expectations with respect to a financial institution's handling of loan accommodation and workout matters, including: (1) risk management; (2) loan classification; (3) regulatory reporting; and (4) accounting considerations. The 2023 Statement also reaffirms two key principles from the 2009 Statement:

- Financial institutions that implement prudent commercial real estate loan accommodation and workout arrangements after performing a comprehensive review of a borrower's financial condition will not be subject to criticism for engaging in these efforts, even if these arrangements result in modified loans that have weaknesses that result in adverse classification; and
- Modified loans to borrowers who have the ability to repay their debts according to reasonable terms will not be subject to adverse classification solely because the value of the underlying collateral has declined to an amount that is less than the outstanding loan balance.

The 2023 Policy Statement also includes the following changes from the 2009 Policy Statement:

- A new section on short-term loan accommodations which (among other things) encourages financial institutions to work proactively and prudently with borrowers who are, or may be, unable to meet their contractual payment obligations during periods of financial stress, and that financial institutions should employ prudent risk management practices and appropriate internal controls when making such accommodations;
- Information about changes in accounting principles since 2009 (such as CECL and the removal of the concept of troubled debt restructurings under CECL); and

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- Revisions and additions to the examples of commercial real estate loan workouts.

The 2023 Policy Statement can be accessed on the FDIC's website at <https://www.fdic.gov/news/press-releases/2023/pr23051a.pdf>. For more information about the 2023 Policy Statement, contact Joel Cook at the law firm at [JCook@ABLawyers.com](mailto:JCook@ABLawyers.com).