CADWALADER

Cabinet **News and Views**

Informed analysis for the financial services industry

Banking Agencies Finalize Interagency Policy Statement on CRE Loan Workouts

By **Daniel Meade**
Partner | Financial Regulation

On June 30, the Federal Reserve Board ("FRB"), Federal Deposit Insurance Corporation ("FDIC"), Office of the Comptroller of the Currency ("OCC") and the National Credit Union Administration ("NCUA") finalized their Policy Statement on Commercial Real Estate Loan Accommodations and Workouts (the "Policy Statement"). The Policy Statement will be effective upon publication in the *Federal Register*.

The Policy Statement is substantially similar to what the agencies proposed last year and supersedes the previous commercial real estate ("CRE") loan workouts from 2009. The Policy Statement "reinforce[s] the message that financial institutions should work prudently and constructively with creditworthy commercial borrowers experiencing financial difficulties, and clarify that such message applies in all stages of the economic cycle...[and] ensure that supervisory policies and actions do not inadvertently curtail the availability of credit to sound borrowers."

This year's Policy Statement includes additional discussion of two topics. First, the Policy Statement included updated discussion in light of the implementation of accounting changes under the Current Expected Credit Loss ("CECL"). The CECL accounting rules phase out the previous treatment of Troubled Debt Restructurings ("TDRs"), and the final Policy Statement reflects those changes. Second, the final Policy Statement added additional guidance on short-term accommodations informed by the experience during the COVID event.

Although the Policy Statement has been in the works for a year, the timing may prove to be prescient as there are some who expect CRE loans to experience some stresses as demand for CRE may have changed after the large-scale working from home or hybrid shift in the workplace.