

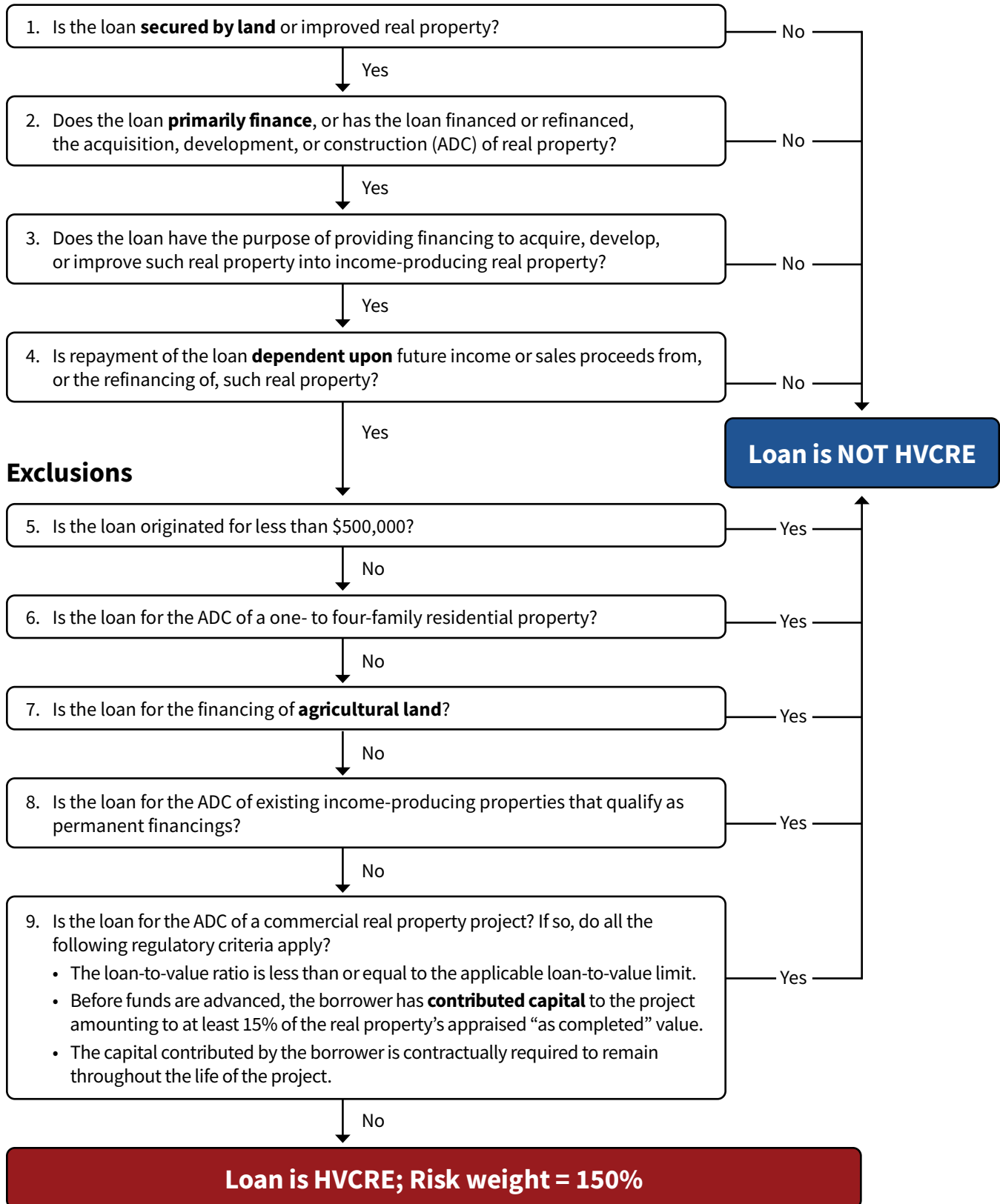


Is a loan an HVCRE exposure?

Use this decision tree to find out

(See the appendix for explanations of highlighted terms.)

Definition of a high-volatility commercial real estate (HVCRE) exposure



Appendix — Explanation of terms used in HVCRE definition and exclusions

The terms below are explained in the preamble to the final HVCRE rule in [89 FR 25117 \(April 10, 2024\) \(PDF\)](#). Pages are referenced below.

Agricultural land

Land improved or unimproved that is devoted to, or available for the production of, crops and other products such as fruits and timber or for the raising of livestock, and real estate used as an integral part of an aquatic operation. This provision applies only to financing for the agricultural and aquatic needs of bona fide farmers, ranchers, and producers and harvesters of aquatic products and does not apply to loans for farm property construction and land development purposes. (89 FR 25122)

Contributed capital

Includes cash; unencumbered, readily marketable assets; development expenses paid out of pocket; and contributed real property or improvements. Cross-collateralized property is permitted to count as a capital contribution to an HVCRE project; however, the value of the contributed real property must be reduced by the aggregate amount of any outstanding liens on the property for the purpose of calculating the 15% capital contribution. In addition, other real property contributed to a project does not have to be “directly related” to the project to count as capital contributions for the purpose of the commercial real property projects exclusion. (89 FR 25124–25125)

Dependent upon

A loan dependent upon future income or sales proceeds is one that relies to any extent on these sources for repayment. (89 FR 25121)

Primarily finance

More than 50% of the proposed use of the loan funds is for the acquisition, development, or construction of real property. (89 FR 25120)

Secured by land

A loan is secured by real estate if the estimated value of the real estate collateral at origination (after deducting all senior liens held by others) is greater than 50% of the principal amount of the loan at origination. (89 FR 25120)