
INFORMATIONAL MEMORANDUM



October 16, 2024

To: Chair, Board of Directors
Chief Executive Officer
Each Farm Credit System Institution

From: Kevin Kramp, Director
Office of Regulatory Policy

Subject: Extending implementation date of the final rule on high-volatility commercial real estate (HVCRE) exposures

The Farm Credit Administration is issuing this informational memorandum to extend the implementation date of the [final rule](#) on risk-weighting HVCRE exposures from January 1, 2025, to January 1, 2026. Farm Credit System (FCS or System) banks and associations will not have to comply with the requirements of the HVCRE rule until January 1, 2026, and any loans made before this date will not be subject to the HVCRE risk weight.¹

We have extended the implementation date to provide sufficient time for System banks and associations to modify technologies and set up processes and systems to implement the new regulatory requirements of the HVCRE rule. We expect System institutions to continue their progress in implementing the rule.

Request to delay implementation date of the HVCRE rule

On July 30, 2024, the Farm Credit Council (FCC) submitted a letter on behalf of FCS institutions to the FCA board requesting a one-year delay of the date by which institutions must implement the HVCRE rule.

The FCC noted the System's commitment to complying with the rule but stated a delay was needed because of novel operational challenges at numerous institutions, including several small associations. Further communication between FCA, the FCC, and System banks and associations highlighted some of the key operational and resource challenges facing institutions as they work to implement the HVCRE rule.

¹ If a loan made before the January 1, 2026, implementation date is modified after that date — or if a project is altered in a manner that materially changes the underwriting of the credit facility (for example, by increasing the loan amount or changing the size and scope of the project) — the loan must be treated as a new exposure and reevaluated to determine whether it is an HVCRE exposure.

After carefully considering the operational and procedural challenges facing System institutions in implementing the HVCRE rule, FCA is extending the implementation date to January 1, 2026. The extension gives System institutions sufficient time to make needed changes and updates to operations and procedures in order to comply with the rule.

About the final rule on risk-weighting HVCRE exposures

The final rule was approved by the FCA board on February 8, 2024, and published in the Federal Register on April 10, 2024 (89 FR 25117). The rule defines and establishes a 150% risk weight for HVCRE exposures to reflect their increased risk characteristics. The rule also ensures continued comparability to the Basel framework and the rules of the federal banking regulatory agencies, with deviations as appropriate to accommodate the different regulatory, operational, and credit considerations of the System.

Since publication of the final rule in the Federal Register, FCA has provided additional updates and guidance related to the rule. We approved revised [Bookletter-70 \(PDF\)](#) on June 28, 2024, to exclude certain rural water and wastewater construction exposures from the HVCRE risk weight. In addition, we posted guidance on the rule, including [frequently asked questions](#) and a [decision tree \(PDF\)](#), to our website on August 9, 2024.

For more information

If you have any questions, please contact one of the following:

- Ryan Leist, Associate Director, Finance and Capital Markets Team, Office of Regulatory Policy, at (703) 883-4223 or LeistR@fca.gov
- Xahra Pollard, Senior Policy Analyst, Finance and Capital Markets Team, Office of Regulatory Policy, at (720) 213-0928 or PollardX@fca.gov
- Jennifer Cohn, Assistant General Counsel, Office of General Counsel, at (703) 883-4020 or CohnJ@fca.gov