



PRESS RELEASE

Federal Deposit Insurance Corporation

May 3, 1994

FDIC ADOPTS NEW INTERAGENCY RULES ON REAL ESTATE APPRAISALS FOR IMMEDIATE RELEASE

The FDIC Board of Directors today agreed to revise the agency's rules on real estate appraisals as part of a joint federal effort to reduce costs to borrowers and encourage lending.

The revised rules, which were developed jointly with the Federal Reserve Board, the Office of the Comptroller of the Currency and the Office of Thrift Supervision, will:

- Increase to \$250,000, from \$100,000, the threshold level for loans that would require a real estate appraisal by a certified or licensed appraiser;
- Exempt from the appraisal requirements business loans of \$1 million or less where the sale or rental of real estate is not the primary source of repayment;
- Expand and clarify other exemptions from appraisal requirements, such as those for renewals of existing loans, certain loan purchases, and loans that qualify for sale or are guaranteed by U. S. government agency or government-sponsored agency; and
- Reduce and simplify the minimum regulatory standards for conducting required appraisals, relying more on industry standards.

The Fed adopted similar rules on March 9. The other two agencies are expected to approve the revisions soon. After the new rules are adopted by the four agencies, they will be published in the Federal Register and then go into effect immediately.

The new rules also clarify and make uniform the agencies' expectations regarding the evaluation of real estate collateral for loans that are not subject to the regulation, such



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

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as those under \$250,000. The revised rules state that in many such cases a lender must still have a competent estimate of the real estate's values as a matter of safe and sound banking practice.

FDIC Chairman Andrew C. Hove, Jr., said today that the revised regulation, combined with recent actions by the appraiser profession to expand the range of work a licensed or certified appraiser can do, "should increase the number of people who can evaluate real estate collateral and decrease the amount of effort needed to conduct an appraisal or to document results. The net effect, for borrowers and for lenders, should be lower costs and more rapid service."

Mr. Hove added: "The FDIC and our fellow regulators have long been committed to eliminating unnecessary regulatory burdens on institutions and encouraging loans to consumers and small businesses. We believe these new appraisal rules, which have been under review for nearly a year, will help achieve these goals without detracting from safe and sound banking practices."

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