
Joint Release

Office of the Comptroller of the Currency
Federal Deposit Insurance Corporation
Federal Reserve Board
Office of Thrift Supervision

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**Federal Agencies Propose New Rule on
Real Estate Appraisals**

The Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board, and the Office of Thrift Supervision (OTS) today issued a joint proposed rule to amend their regulations on real estate appraisals.

The agencies said the proposal would reduce regulatory burden by requiring appraisals only when they enhance the safety and soundness of financial institutions or otherwise further public policy. The proposed rule would:

- Increase the threshold level for required appraisals from \$100,000 to \$250,000;
- Expand and clarify existing exemptions to appraisal requirements; and
- Identify additional circumstances when appraisals are not required.

The agencies are proposing these amendments based on their experience in implementing their current appraisal regulations. The proposed rule would limit direct and indirect costs of real estate appraisals to borrowers, costs that the agencies said can restrict the availability of credit.

For example, business loans under \$1 million secured by real estate would not require appraisals when real estate collateral is not the primary source of repayment. The proposal also expands an existing exemption for transactions where real estate is taken as collateral through "an abundance of caution." These changes will help small- and medium-sized businesses obtain credit, the agencies said.

The proposed rule exempts from the agencies' real estate appraisal requirements transactions that are insured or guaranteed by a U.S. government agency or government sponsored agency.

(more)

The proposal also clarifies existing exemptions in the current regulation. The clarifications involve transactions not secured by real estate, transactions related to renewals of existing loans and the extension of additional credit on those loans, and transactions involving purchase of loans or interests in pools of loans secured by real estate.

Finally, the proposed rule reduces the number of minimum standards for the performance of real estate appraisals. It reinstates the Departure Provision that allows an appraiser to prepare an appraisal without complying with certain provisions of the Uniform Standards of Professional Appraisal Practice (USPAP), provided the appraisal report is not misleading. The proposal also clarifies the circumstances in which a bank or thrift may use appraisals prepared for another financial services institution.

The proposed rule will be published for public comment in the Federal Register. The agencies are particularly seeking comments on loss history for real estate transactions that involved appraisals, the effect of the proposed regulation on credit availability, and the cost and time spent complying with the existing regulation.

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