



## NEWS RELEASE

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FDIC ISSUES FINAL REAL ESTATE APPRAISAL RULES  
INTENDED TO REDUCE COSTS TO BANKERS, BORROWERS

The FDIC Board of Directors today approved amendments to real estate appraisal regulations that will reduce the number of real estate transactions requiring an appraisal by a certified or licensed appraiser, thereby reducing the costs of the loans to FDIC-supervised banks and to borrowers.

The major change in the rule is an increase to \$100,000, from \$50,000, in the loan amount that will trigger the requirements of the existing appraisal regulations. One such requirement is the use of a state-certified or state-licensed appraiser, which is scheduled by law to go into effect December 31, 1992.

In September 1991, the FDIC proposed increasing the threshold to \$100,000 after many bankers expressed concerns that limiting the field of appraisers and increasing the documentation required for loans would unnecessarily boost appraisal costs and add delays to loan processing. The FDIC Board today agreed that a \$100,000 threshold is appropriate given the historical losses by banks on loans below that level.

Transactions below the \$100,000 threshold remain subject to active federal supervision. Any real estate transaction not covered by the regulations still must be supported by an appropriate estimate of value prepared in accordance with existing guidelines for real estate appraisals and review procedures.

Other revisions approved today also exempt the following from the requirements of the appraisal rules:

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- o A loan that has received an appraisal in connection with a guarantee or insurance by an agency of the federal government (such as the Veterans Administration or the Federal Housing Administration), thereby eliminating the need for a second appraisal.
- o An appraisal of a piece of land where mineral rights, timber rights, growing crops, water rights or similar interests are part of a loan transaction but where the land itself is not part of the transaction.
- o A one-to-four family residential mortgage loan to be sold by the bank to the secondary market and meeting the underwriting standards of the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation.
- o A loan to finance a real estate purchase that is either unsecured or is secured wholly by personal property and no lien is taken on the real estate.

The FDIC's amendments are similar to existing or proposed rules at the other federal bank and thrift regulatory agencies.

The amendments are scheduled to take effect upon publication in the Federal Register.

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