

FOR IMMEDIATE RELEASE

PR-149-90 (FDIC) (7-24-90)  
PR-387-90 (RTC)FDIC AND RTC ISSUE FINAL REGULATIONS ON UNIFORM APPRAISAL STANDARDS

The Board of Directors of both the Federal Deposit Insurance Corporation and the Resolution Trust Corporation approved today similar regulations governing the use of appraisals in real estate transactions.

The regulation identifies which transactions by financial institutions will require a special appraisal and sets forth minimum standards for performing an appraisal.

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) mandates that the FDIC, the RTC and the other financial institution regulatory agencies develop uniform appraisal standards. The new rule is intended to give regulators added assurance that real estate appraisals are performed under uniform standards by competent individuals who are subject to effective supervision. The rule was developed by an interagency committee.

FDIC and RTC Chairman L. William Seidman said today: "It is increasingly clear that real estate problems are a major cause of bank and thrift failures in the United States. We believe that this new rule, which supplements our existing supervisory standards, will promote solid loan underwriting practices."

FIRREA called for the establishment of two special types of appraisers -- those "certified" by a state or territory and those "licensed" by a state or territory. In general, certified appraisers are recognized as being more knowledgeable and experienced than licensed appraisers, although states and territories are expected to set criteria to ensure that licensed appraisers have sufficient experience and training to comply with the new rule.

The final rule distinguishes between transactions that will require the services of a certified appraiser and those that can be done by a licensed appraiser. For example, the regulation permits the use of licensed appraisers for real estate transactions valued at less than \$250,000 and for many residential loan transactions up to \$1 million.

The final rule differs from an interagency proposal issued for public comment in February. For example, in the proposal, the agencies sought comment on whether certain small-dollar real estate transactions presented low enough risks to the financial system that specially certified or licensed appraisers need not be used. Today, the FDIC and the RTC agreed that the final rule does not apply to real estate transactions of \$100,000 or less. These transactions still will be subject to other existing programs aimed at reducing risks, such as long-standing guidelines for real estate appraisal policies and review procedures adopted by the divisions of bank supervision at the FDIC, the Comptroller of the Currency and the Federal Reserve Board.

The new rule is scheduled to take effect 30 days after it is published in the Federal Register, although the specifications as to which transactions require the use of certified or licensed appraisers take effect July 1, 1991.

The FDIC and RTC regulations are similar to a rule adopted by the Federal Reserve Board on June 28.

# # #