

Subject: Real Estate Lending
Date: March 4, 2016

**To: Chief Executive Officers of
All National Banks and Federal Savings
Associations, Department and Division
Heads, All Examining Personnel, and
Other Interested Parties**

Description: Interagency Advisory on the Use of Evaluations in Real Estate-Related Financial Transactions

Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the agencies) today issued an “Interagency Advisory on Use of Evaluations in Real Estate-Related Financial Transactions.” This advisory describes existing supervisory expectations, guidance, and industry practice for using evaluations instead of appraisals when estimating the market value of real property securing real estate-related financial transactions. During outreach meetings with representatives from the financial industry conducted pursuant to the requirement of the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA),¹ meeting participants raised questions about the use of evaluations. The questions focused on when evaluations could be used for real estate-related financial transactions and how to support a market value conclusion when there have been few or no recent comparable sales.

Note for Community Banks

This guidance applies to all national banks and federal savings associations engaged in real estate lending.

Highlights

The “Interagency Appraisal and Evaluation Guidelines”² provide guidance on the development and use of evaluations. Transactions that permit use of evaluations include the following:

- Transactions in which the “transaction value”³ (generally the loan amount) is \$250,000 or less.
- Certain renewals, refinances, or other transactions involving existing extensions of credit.
- Real estate-secured business loans in which the transaction value is \$1,000,000 or less and the sale of, or rental income derived from, real estate is not the primary source of repayment for the loan.

Further Information

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Related Link

- “Interagency Advisory on Use of Evaluations in Real Estate-Related Financial Transactions” (PDF)

¹ The federal banking agencies are conducting a review of their respective regulations, including their appraisal regulations, pursuant to EGRPRA. The agencies are evaluating whether the regulations are outdated, unnecessary, or unduly burdensome, and the agencies are considering how to reduce regulatory burden on insured depository institutions while ensuring their safety and soundness and the safety and soundness of the financial system. See outreach meeting transcripts at <http://egrpra.ffiec.gov/outreach/outreach-index.html>.

² Refer to OCC Bulletin 2010-42, “Sound Practices for Appraisals and Evaluations: Interagency Appraisal and Evaluation Guidelines,” December 10, 2010.

³ Transaction value means the amount of the loan or extension of credit. Refer to 12 CFR 34.42(m)(1).