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Banking Agencies Propose Rule to Increase Appraisal Exemption Transaction Value

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The [FDIC](#), Federal Reserve Board and [Comptroller of the Currency](#) are [proposing a rule](#) to implement a rural property appraisal exemption under the Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act) and also increase the appraisal exemption based on transaction value from \$250,000 to \$400,000.

As we [reported previously](#), the Act amends the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) to exclude a loan made by a bank or credit union from the FIRREA requirement to obtain an appraisal if certain conditions are met. The conditions are that the property is located in a rural area; the transaction value is less than \$400,000; the institution retains the loan in portfolio, subject to exceptions, and; not later than three days after the Closing Disclosure is given to the consumer, the mortgage originator or its agent has contacted not fewer than three state-licensed or state-certified appraisers, as applicable, and documented that no such appraiser, as applicable, was available within five business days beyond customary and reasonable fee and timeliness standards for comparable appraisal assignments, as documented by the mortgage originator or its agent.

The federal banking agencies propose to implement the exemption under the Act by simply adding to the list of exempted transactions in their respective appraisal regulations a transaction that “is exempted from the appraisal requirement pursuant to the rural residential exemption under 12 U.S.C. 3356.” In short, the agencies will implement the exemption by simply referencing the statutory provision.

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Significantly, the agencies also propose to increase the exemption based on the value of a transaction from \$250,000 to \$400,000. The agencies advise that the decision to propose an increase in the transaction value exemption is based on consideration of available information on real estate transactions secured by single 1-to-4 family residential property, supervisory experience, comments received from the public in connection with the Act, and rulemaking to increase the appraisal threshold for commercial real estate appraisals. If this proposed exemption is adopted, it will significantly reduce the importance of the rural property exemption added by the Act.

With both proposed exemptions, banks still would need to obtain an appropriate evaluation of the real property collateral that is consistent with safe and sound banking practices.

The comment period will run 60 days from the publication of the proposal in the Federal Register.

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