

Appraisal Requirements Deferred for 120 Days for Certain Real Estate Transactions Due to COVID-19

Banking Law, COVID-19, Real Estate / April 20, 2020 / Jeff Novel

On April 14, 2020, the Office of the Comptroller of Currency, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation (collectively, the “Agencies”) issued an interim final rule (the “Interim Rule”) deferring requirements for appraisals and evaluations for certain real estate transactions for 120 days.

Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) directs the Agencies to publish appraisal regulations for federally-related transactions within their jurisdictions. The purpose of Title XI is to protect federal financial and public policy interests in real estate-related transactions by requiring that real estate appraisals used in connection with federally related transactions (“Title XI Appraisals”) are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. At a minimum, the statute provides that a Title XI Appraisal must be: (1) performed in accordance with the Uniform Standards of Professional Appraisal Practice (“USPAP”); (2) a written appraisal, as defined by the statute; and (3) subject to appropriate review for compliance with USPAP. In general, the Agencies require that Title XI Appraisals for federally related transactions occur prior to closing. The [Interagency Guidelines on Appraisals and Evaluations](#) provide similar requirements for evaluations related to federally-related transactions.

The Interim Rule, which is effective through December 31, 2020, defers the requirement to obtain an appraisal or evaluation for up to 120 days following the closing of a transaction for certain residential and commercial real estate transactions, excluding transactions for acquisition, development, and construction of real estate. The reasoning behind the Interim Rule is that quick access to equity in real estate could help businesses and individuals address heightened needs for liquidity caused by COVID-19 at a time when government restrictions on non-essential movement and health and safety advisories have created difficulty complying with appraisal and evaluation regulations.

All deferrals of appraisals and evaluations will be temporary. Regulated institutions that defer receipt of an appraisal or evaluation are still expected to conduct their lending activity consistent with the underwriting principles in the Agencies’ [Standards for Safety and Soundness](#) and [Real Estate Lending Standards](#) that focus on the ability of a borrower to repay a loan and other relevant law and regulations. Follow this [link](#) to review the complete text of the Interim Rule.

Related Attorneys

Jeff Novel

Related Practices

Financial Services
Real Estate