
**Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Consumer Financial Protection Bureau
National Credit Union Administration**

April 14, 2020

**INTERAGENCY STATEMENT ON APPRAISALS AND EVALUATIONS
FOR REAL ESTATE RELATED FINANCIAL TRANSACTIONS
AFFECTED BY THE CORONAVIRUS**

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Consumer Financial Protection Bureau (CFPB), in consultation with the state financial regulators, are issuing this interagency statement to address challenges relating to appraisals and evaluations for real estate related financial transactions affected by the Coronavirus Disease 2019 (referred to as COVID-19). The United States has been operating under a presidentially declared emergency since March 13, 2020. COVID-19 has significantly affected financial institutions and their customers, and the agencies seek to assist financial institutions in their provision of needed services to their customers and to the general public.

This interagency statement outlines existing flexibilities in industry appraisal standards and in the appraisal regulations issued by the OCC, FRB, FDIC, and NCUA (agencies) and describes temporary changes to Fannie Mae and Freddie Mac appraisal standards that can assist lenders during this challenging time. The agencies will continue to communicate with the industry as this situation unfolds, as appropriate.

I. Flexibility for Physical Property Inspections

The agencies' appraisal regulations require that appraisals be conducted in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). While exterior and interior inspections are commonly conducted in preparing appraisals and evaluations and can facilitate high quality valuations, such inspections are not required by the agencies' appraisal regulations implementing Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).¹ Rather, as allowed by USPAP, an appraiser can determine the characteristics of a property through, among other things, any combination of property inspection, asset records, photographs, property sketches, and recorded media.²

Institution management should be aware that the Appraisal Standards Board's "2020-21 USPAP Q&A" issued March 17, 2020, indicates that when an interior inspection would customarily be part of the scope of work, a health or other emergency condition may require an

¹ OCC: 12 CFR part 34; FRB: 12 CFR part 208 and 12 CFR part 225; FDIC: 12 CFR part 323; and NCUA: 12 CFR 701 and 12 CFR part 722.

² See USPAP Advisory Opinion 2.

appraiser to make an extraordinary assumption about the interior of a property.³ USPAP permits this approach as long as the appraiser has a reasonable basis for the extraordinary assumption and as long as its use still results in a credible analysis. Both desktop appraisals and exterior-only appraisals can fulfill the requirements of USPAP as long as the analysis is credible.⁴ Interior inspections are still required, however, for certain higher-priced mortgage loans.⁵

II. Flexibility for Appraisals of Residential Properties Underwritten to Fannie Mae and Freddie Mac Standards

Fannie Mae and Freddie Mac (hereinafter, the GSEs) have recently issued guidance providing temporary flexibility in the appraisal standards for loans that they purchase, including allowing exterior-only and desktop appraisals for certain loans.⁶ Specifically, the GSEs' guidance states that:

- For certain qualifying principal or primary residence loans, desktop appraisals and exterior-only appraisals will now be acceptable. For Freddie Mac, qualifying primary residence loans are those with up to 97 percent loan-to-value (LTV). For Fannie Mae, qualifying primary residence loans are those with an LTV within the range listed on Fannie's current eligibility matrix.
- For second homes and investment properties with 85 percent or less LTV, desktop appraisals and exterior-only appraisals will now be acceptable.
- For limited cash-out refinances where the mortgage being refinanced is owned by the GSE and the LTV is within the currently acceptable range, exterior-only appraisals will now be acceptable.

In addition, lenders may sell eligible loans without an appraisal under the appraisal waiver programs provided by the GSEs.⁷ For Freddie Mac, the appraisal waiver program for lenders is now being expanded to include certain refinancing activity, including both cash-out refinances and no cash-out refinances. Fannie Mae already allowed lenders to waive the

³ See March 2020 Q&A at https://www.appraisalfoundation.org/imis/TAF/Standards/Q_As/TAF/QAs.aspx.

⁴ See USPAP Scope of Work Rule, Standard Rule 1-2, and Advisory Opinion 2.

⁵ Interior inspections are required for certain higher-priced mortgage loans (HPMLs) pursuant to the Interagency HPML Appraisal Rule, implementing statutory requirements under the Truth in Lending Act, 15 U.S.C. § 1601 *et seq.* See 15 U.S.C. § 1639h. This rule was issued jointly by the OCC, FRB, FDIC, NCUA, CFPB, and Federal Housing Finance Agency (FHFA). See 78 FR 10367 (Feb. 13, 2013) and 78 FR 78520 (Dec. 26, 2013); OCC: 12 CFR Part 34, subpart G; Board: 12 CFR 225.64; NCUA: 12 CFR 722.3; CFPB: 12 CFR 1026.35(a) and (c); and FHFA: 12 CFR 1222, subpart A. The FDIC adopted the HPML Appraisal Rule as published by the CFPB without issuing its own regulation.

⁶ See <https://singlefamily.fanniemae.com/media/22321/display> and https://guide.freddie.mac.com/app/guide/content/a_id/1003723.

⁷ For additional information, see Fannie Mae Selling Guide B4-1.4-10 and Freddie Mac Selling Guide Section 5601.9, respectively, available at <https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B4-Underwriting-Property/Chapter-B4-1-Appraisal-Requirements/Section-B4-1-4-Special-Appraisal-and-Other-Valuation/1736878771/B4-1-4-10-Appraisal-Waivers-08-07-2019.htm>, and <https://guide.freddie.mac.com/app/guide/section/5601.9>.

appraisal requirement for some refinance transactions.⁸

III. Existing Exceptions in Appraisal Regulations

The appraisal regulations issued by the OCC, FRB, and FDIC provide at least fourteen exceptions to the requirement for an appraisal by a certified or licensed appraiser.⁹ Exceptions that lenders may find the most useful during the COVID-19 emergency for real-estate related financial transactions include:

- The transaction is a residential real estate transaction with a transaction value of \$400,000 or less;
- The transaction is a commercial real estate transaction with a transaction value of \$500,000 or less;
- The transaction is a business loan that has a transaction value of \$1 million or less where the loan does not depend on the sale of, or rental income derived from, real estate as the primary source of repayment;
- The transaction involves an existing extension of credit at the lending institution, provided that:¹⁰
 - There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the institution's real estate collateral protection after the transaction, even with the advancement of new monies; or

⁸ For additional information, see Fannie Mae LL 2020-04 and Freddie Mac Bulletin 2020-5, available at <https://singlefamily.fanniemae.com/media/22321/display> and https://guide.freddiemac.com/ci/okcsFattach/get/1003723_7.

⁹ For a comprehensive list of exceptions, see OCC: 12 CFR 34.43(a); FRB: 12 CFR 225.63(a); and FDIC: 12 CFR 323.3(a).

¹⁰ Loan modifications, extensions, or similar arrangements, such as those that may be provided in connection with mortgage forbearances required under Sections 4022 and 4023 of the CARES Act, do not require appraisals under the agencies' appraisal regulations if the transaction is wholly or partially insured or guaranteed by a federal agency or government-sponsored enterprise (GSE), such as Fannie Mae or Freddie Mac. Such transactions would instead be subject to the valuation standards required by the agency or GSE. Relatedly, the agencies' appraisal regulations generally would not require an appraisal for this type of transaction, as the agencies' appraisal regulations do not require an appraisal for a transaction involving an existing extension of credit at the lending institution (*i.e.*, subsequent transactions) if there is not a new advance of funds, other than funds necessary to cover reasonable closing costs. Rather, an evaluation is permitted in lieu of an appraisal under those circumstances. OCC: 12 CFR § 34.43(a)(7),(b); FRB: 12 CFR § 225.63(a)(7),(b); FDIC: 12 CFR § 323.3(a)(7),(b); and NCUA: 12 CFR § 722.3(a)(1) also permit an evaluation for extensions of credit at the lending institution if there has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the real estate collateral protection after the transaction, even with advancement of new funds. Note additionally that a loan modification that only entails a decrease in the interest rate or a single extension of a limited or short-term nature would not be viewed as a subsequent transaction, and as such, not require an evaluation. Interagency Appraisal and Evaluation Guidelines. See 75 FR 77450, at 77464-77465 (December 10, 2010), available at <https://occ.gov/news-issuances/federal-register/2010/75fr77450.pdf>.

- There is no advancement of new monies, other than funds necessary to cover reasonable closing costs;
- The transaction is wholly or partially insured or guaranteed by a U.S. government agency or U.S. government sponsored agency;
- The transaction either:
 - Qualifies for sale to a U.S. government agency or government sponsored agency; or
 - Involves a residential real estate transaction where the appraisal conforms to the Fannie Mae or Freddie Mac appraisal standards.

In addition, on April 14, 2020, the FDIC, FRB, and OCC issued an interim final rule temporarily amending their appraisal regulations to provide that the completion of appraisals and evaluations required under the agencies' appraisal regulations may be deferred by a regulated institution for up to 120 days from the date of closing. The temporary deferrals apply to all residential¹¹ and commercial real estate secured transactions, including loans for new money or refinancing transactions, but excluding transactions for acquisition, development, and construction of real estate, and will be effective upon publication in the *Federal Register*. The deferred appraisals and the interim final rule will sunset on December 31, 2020.

The appraisal regulations issued by the NCUA provide nine exceptions to the appraisal requirements for an appraisal by a certified or licensed appraiser.¹² Exceptions that institutions may find the most useful during the COVID-19 emergency for real estate related financial transactions include:

- The transaction is a residential real estate transaction with a transaction value of less than \$250,000;¹³
- The transaction is a residential real estate transaction with a transaction value greater than \$250,000, but less than \$1 million, and the portion of the transaction value that is insured or guaranteed by a U.S. government agency or U.S. government sponsored agency is \$250,000 or more;

¹¹ Under the Equal Credit Opportunity Act (ECOA) and its implementing Regulation B, creditors are generally required to provide applicants for first-lien loans on a dwelling with copies of appraisals, as well as other written valuations, developed in connection with an application prior to the consummation of the transaction. See 15 U.S.C. 1691(e) and Regulation B, 12 CFR 1002.14 ("ECOA Valuations Rule"). Nothing in ECOA or Regulation B addresses the type of post-consummation valuation contemplated in the agencies' April 14, 2020 interim final rule. The agencies, therefore, will not take enforcement actions against institutions under the ECOA Valuations Rule for post-consummation valuations performed pursuant to the agencies' April 14 interim final rule. Nevertheless, the agencies encourage institutions to provide borrowers with copies of such post-consummation valuations as promptly as practicable upon completion.

¹² For a comprehensive list of exceptions, see 12 CFR 722.3(a) and (b).

¹³ The residential real estate threshold for the NCUA is currently \$250,000 and the NCUA recently issued a notice of proposed rulemaking to raise the threshold to \$400,000.

- The transaction is a commercial real estate transaction with a transaction value of less than \$1,000,000;¹⁴
- The transaction involves an existing extension of credit at the lending credit union, provided that:
 - There is no advancement of new monies, other than funds necessary to cover reasonable closing costs; or
 - There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the credit union's real estate collateral protection after the transaction, even with the advancement of new monies;
- The transaction either:
 - Qualifies for sale to a U.S. government agency or U.S. government-sponsored agency; or
 - Involves a residential real estate transaction in which the appraisal conforms to the Fannie Mae or Freddie Mac appraisal standards applicable to that category of real estate.

The agencies encourage financial institutions to make use of these exceptions. The use of an existing appraisal or evaluation for subsequent transactions may be particularly relevant during the COVID-19 emergency. A financial institution can use an existing evaluation or appraisal instead of obtaining a new appraisal for a subsequent transaction in certain circumstances if the institution can confirm that the evaluation or appraisal remains valid.

The passage of time is a criterion that institutions can consider when determining whether an appraisal remains valid. If the institution determines that the appraisal still reflects market value, the institution may rely on the appraisal based on an acceptable level of risk as evidenced by a loan's LTV ratio and other underwriting criteria.

The agencies understand that it may be appropriate for institutions to have different criteria for assessing the validity of an appraisal or evaluation for purposes of subsequent transactions during major disasters or other emergencies. The institution's determination of the validity of existing appraisals and evaluations used for subsequent transactions conducted during the COVID-19 emergency will not be subject to examiner criticism if it is consistent with safe and sound practices.

¹⁴ The NCUA appraisal regulations for commercial real estate set a \$1 million threshold for all commercial loans. See 12 CFR 722(b)(1).