



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION
AND REGULATION

SR 17-4

June 1, 2017

**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

SUBJECT: Interagency Advisory on the Availability of Appraisers

Applicability to Community Banking Organizations: This guidance applies to state member banks and bank holding companies and their nonbank subsidiaries, including those with \$10 billion or less in consolidated assets.

The federal banking agencies¹ completed a review of their respective regulations, including their appraisal regulations, pursuant to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). In the review process, bankers raised concerns regarding the timeliness of appraisals due largely to what they believe to be problems with the availability of state certified and licensed appraisers, particularly in rural areas. Therefore, the federal banking agencies, jointly with the National Credit Union Administration, have issued an advisory to inform insured depository institutions and bank holding companies of two existing methods that may address appraiser shortages: temporary practice permits and temporary waivers.

- Temporary practice permits issued by state appraiser regulatory agencies allow state certified and licensed appraisers to temporarily provide their services in states where they are not certified or licensed, including those experiencing a shortage of appraisers, subject to limitations in states' laws. Further, state appraiser regulatory agencies offer reciprocity, which allows one state to recognize the appraiser certification or licensing of another state and, thus, permits state certified and licensed appraisers to perform their services across state lines.²

¹ The federal banking agencies are the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC).

² See Appraisal Subcommittee of the Federal Financial Institution Examination Council, *Policy Statements*, June 1, 2013, at <https://www.asc.gov/Documents/PolicyStatements/ASC%20Policy%20Statements%2006.01.13.pdf>. (See Policy Statement 5.)

- Temporary waivers may be issued by the Appraisal Subcommittee of the Federal Financial Institution Examination Council that waive requirements relating to the certification or licensing of individuals to perform appraisals under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act³ in states or geographic political subdivisions when certain conditions are met.

Reserve Banks should distribute this letter to state member banks and bank holding companies, as well as to appropriate supervisory and examination staff. For questions related to this guidance, please contact the following staff in the Board's Risk Policy Section: Carmen Holly, Senior Supervisory Financial Analyst, at (202) 973-6122; or Peter Clifford, Manager, at (202) 785-6057. In addition, questions may be sent via the Board's public website.⁴

Michael S. Gibson
Director

Attachment

- *Interagency Advisory on the Availability of Appraisers*

³ 12 U.S.C. 3348(b).

⁴ See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.

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

**Interagency Advisory on the Availability of Appraisers
May 31, 2017**

In comments received by the federal bank regulatory agencies¹ (collectively, the agencies) pursuant to the agencies' review of regulations under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA),² representatives from the financial industry raised concerns regarding the timeliness of appraisals due largely to what they believe to be problems with the availability of state certified and licensed appraisers, particularly in rural areas. The agencies, jointly with the National Credit Union Administration, are providing this advisory to apprise insured depository institutions and bank holding companies (collectively, regulated institutions) of two existing options that may address appraiser shortages, particularly in rural areas: temporary practice permits and temporary waivers.

Temporary Practice Permits

Section 1122(a) of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI)³ requires a state appraiser certifying or licensing agency to recognize the certification or license of an appraiser issued by another state on a temporary basis for federally related transactions (FRT).⁴ Subject to limitations in states' laws, temporary practice permits could allow state certified or licensed appraisers to provide their services in states where they are not certified or licensed, including those experiencing a shortage of appraisers.

Appraisers must apply to the relevant state appraiser regulatory agency for a temporary practice permit.⁵ Section 1122 of Title XI prohibits a state appraiser certifying or licensing agency from imposing excessive fees or burdensome requirements for a temporary practice permit.

¹ The federal bank regulatory agencies include the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC).

² Pub. L. No. 104-208, 110 Stat. 301. The agencies recently completed a review of their respective regulations pursuant to the EGRPRA, including their appraisal regulations, to evaluate whether the regulations are outdated, unnecessary, or unduly burdensome, and to consider how to reduce regulatory burden on institutions regulated by the agencies while, at the same time, ensuring their safety and soundness and the safety and soundness of the financial system. Written comments were solicited through four *Federal Register* notices. Additionally, comments were received at six outreach events the bank regulatory agencies held in various regions of the country. This advisory is responding to specific questions that have been raised about appraisals as part of the agencies' EGRPRA outreach process. See transcripts at <http://egrpra.ffiec.gov/outreach/outreach-index.html>.

³ Pub. L. No. 101-73, 103 Stat. 183 (codified at 12 U.S.C. 3331 et seq.).

⁴ 12 U.S.C. 3351(a).

⁵ Refer to <https://www.asc.gov/State-Appraiser-Regulatory-Programs/TemporaryPracticeAndReciprocity.aspx> for contact information for State appraiser regulatory agencies.

In addition, reciprocity⁶ is a widely used practice in which one state recognizes the appraiser certification and licensing of another state, permitting state certified and licensed appraisers to perform appraisals across state lines.

Temporary Waivers

Section 1119 of Title XI authorizes the Appraisal Subcommittee (ASC), after making certain findings and with the approval of the FFIEC, to grant temporary waivers of any requirement relating to certification or licensing of individuals to perform appraisals under Title XI in states or geographic political subdivisions of any states where there is a shortage of appraisers leading to significant delays in obtaining appraisals in connection with FRTs.⁷ These temporary waivers may provide regulated institutions lending in affected areas with access to more individuals eligible to complete the appraisals required under Title XI, which may help alleviate some of the cost and burden associated with having a shortage of state certified or licensed appraisers in affected areas.

The ASC has issued regulations⁸ governing the processing of temporary waiver requests. Requests can be submitted by any of the following:

- A state appraiser certifying or licensing agency.
- A federal bank regulatory agency.
- A regulated financial institution or credit union.
- Other persons or institutions with a demonstrable interest in appraiser regulation.

The requesting party must provide evidence of the shortage of appraisers in a geographic area and must demonstrate that the scarcity of appraisers has led to significant delays in the performance of appraisals on FRTs in that area. While an individual regulated institution may submit a request, the waiver request would apply to the affected geographic area. If granted, the requirement to use a certified or licensed appraiser on FRTs would be waived for all regulated institutions engaging in FRTs in the affected geographic area, regardless of who initially requested the waiver.

After receiving a waiver request, the ASC's regulations specify issuing a public notice in the *Federal Register* requesting comment on the proposed waiver. Within 15 days of the close of the 30-day comment period, the ASC is required to issue a decision on the request for a temporary waiver. The ASC's decision is subject to approval by the FFIEC. The agencies have representatives on the ASC board, are FFIEC members, and will work with the ASC to streamline the process for evaluating temporary waiver requests.

⁶ Appraisal Subcommittee (ASC) of the Federal Financial Institution Examination Council (FFIEC), *Policy Statements*, June 1, 2013, at <https://www.asc.gov/Documents/PolicyStatements/ASC%20Policy%20Statements%2006.01.13.pdf>. (See Policy Statement 5.)

⁷ 12 U.S.C. 3348(b).

⁸ 12 CFR part 1102, subpart A.

After receiving FFIEC approval to grant a waiver request, the ASC will issue an order specifying the time period during which the waiver will be in effect. The ASC can extend the waiver upon petition from an interested party and approval by the FFIEC after notice and comment. In the event an appraiser shortage abates before the end of the waiver period, the ASC has the discretion to terminate the waiver before its expiration.

The agencies' appraisal regulations⁹ require regulated institutions to obtain appraisals for FRTs unless an exemption applies. Such appraisals must meet five criteria. One criterion requires that the appraisal be performed by a state certified or licensed appraiser. If the ASC grants a waiver from the certification and licensing requirement, then regulated institutions will not be required to obtain appraisals by state certified or licensed appraisers on FRTs originated in the designated area for the duration of the waiver period. However, the remaining appraisal criteria must still be met for the appraisal to comply with Title XI.¹⁰

⁹ 12 CFR part 208, subpart E (Regulation H) and 12 CFR part 225, subpart G (Regulation Y) (Board); 12 CFR part 34, subpart C (OCC); 12 CFR part 323 (FDIC); and 12 CFR part 722 (NCUA).

¹⁰ As described in the Interagency Appraisal and Evaluation Guidelines, persons qualified to perform appraisals should possess the appropriate appraisal or collateral valuation education, expertise and experience relevant to the type of property being valued. *75 Fed. Reg.* 77450 (December 10, 2010).