Summary

The Office of the Comptroller of the Currency is inviting comment on a proposed rule to increase the appraisal threshold for commercial real estate (CRE) transactions from $250,000 to $400,000. This threshold sets the transaction value above which national banks and federal savings associations (collectively, banks) must obtain appraisals that conform with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and its appraisal rules (Title XI appraisals). The proposed rule, which is being issued jointly with the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the agencies), makes conforming amendments to the appraisal rules to require that banks obtain evaluations in lieu of Title XI appraisals for transactions covered by the CRE threshold exemption. The proposal also would make a conforming technical change to the requirement for the use of certified appraisers for certain transactions.

The comment period for the proposed rule ends on September 29, 2017.

Note for Community Banks

The proposed rule would apply to all OCC-supervised banks and, therefore, would apply to community banks.

Highlights

The proposed rule would increase the appraisal threshold for CRE transactions from $250,000 to $400,000. The proposed threshold of $400,000 reflects increases in CRE transaction values and general indices of inflation since adoption of the existing threshold in 1994.

The definition of "commercial real estate transaction" in the proposed rule would capture the categories of transactions typically considered to be CRE transactions by banks and generally aligns with the categories of loans to which agency guidance on CRE lending applies. Under the proposal, a "commercial real estate transaction" means a "real estate-related financial transaction," as defined in the appraisal regulations, including loans that finance the construction of buildings with one- to four-family dwelling units and that do not include permanent financing. Accordingly, the definition would include a loan extended to a consumer to finance the initial construction of the consumer’s dwelling, but it would exclude loans that provide both initial construction funding and permanent financing. This approach would be consistent with other regulations and guidance that address construction loans to consumers in other contexts.

The proposal would extend the current requirement for banks to obtain “evaluations” on exempt CRE transactions from $250,000 to $400,000. An evaluation provides an estimate of the value of real estate but is not subject to the same requirements as a Title XI appraisal.
Further Information

Please contact Mitchell Plave, Special Counsel, Legislative and Regulatory Activities Division, at (202) 649-5490, or Christopher Manthey, Special Counsel, or Joanne Phillips, Senior Attorney, Bank Activities and Structure Division, at (202) 649-5500.

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Related Link

- “Real Estate Appraisals”