

## **[Banking and Finance Law Daily Wrap Up, TOP STORY—Banking agencies finalize rule allowing temporary deferral of appraisals and evaluations, \(Sept. 15, 2020\)](#)**

Banking and Finance Law Daily Wrap Up

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A final rule adopted by the federal banking agencies permits banking institutions to defer appraisals and evaluations for the remainder of the year thereby allowing businesses and individuals to quickly access liquidity from real estate equity during the continuing COVID-19 pandemic.

The Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Federal Reserve Board have adopted as final a previously issued interim final rule that makes temporary amendments to the agencies' regulations requiring appraisals for certain real estate-related transactions. The [final rule](#) allows banking institutions to defer obtaining an appraisal or evaluation for up to 120 days after the closing of certain residential and commercial real estate loans, excluding transactions for acquisition, development, and construction of real estate. The final rule, which takes effect upon publication in the *Federal Register*, allows for the deferral of appraisals and evaluations for qualifying transactions through Dec. 31, 2020. FDIC staff recommended the adoption of the final rule in an accompanying [staff memorandum](#).

The final rule allows regulated institutions to expeditiously extend liquidity to creditworthy households and businesses in light of economic pressures resulting from the COVID-19 pandemic. The banking agencies advised institutions, however, to make best efforts to obtain a credible estimate of the value of real property collateral before closing a loan and to otherwise underwrite loans consistent with the principles enunciated in the agencies' Standards for Safety and Soundness and Real Estate Lending Standards. In addition, at the end of the deferral period, regulated institutions will be required to obtain appraisals or evaluations that are consistent with safe and sound banking practices as required by the agencies' appraisal regulations.

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