



COVID-19 Update: Banking Agencies Issue Temporary Deferral of Appraisals and Evaluations for Real Estate Transactions



By **Steven M. Herman**
Partner | Real Estate



By **Nicholas E. Brandfon**
Special Counsel | Real Estate



By **Mark Chorazak**
Partner | Bank Regulation

On April 14, 2020, the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued an interim final rule to temporarily defer real estate appraisals and evaluations under interagency appraisal rules.¹ The interim final rule provides a 120-day deferral of appraisal and evaluation requirements for all transactions secured by commercial or residential real estate during the COVID-19 pandemic (which for purposes of the interim final rule extends to December 31, 2020, unless extended by the federal banking agencies), other than transactions for acquisition, development, and construction of real estate. It does not revise any of the existing appraisal exceptions or any other requirements with respect to the performance of evaluations. Under the interim final rule, regulated institutions may close a real estate loan without a contemporaneous appraisal or evaluation, subject to the requirement that they obtain appraisals or evaluations within a grace period of 120 days after the closing of the transaction. Notwithstanding the interim final rule, the federal banking agencies expect institutions to use best efforts and available information to develop a credible, well-informed estimate of the collateral value of the subject property before the loan closing, and otherwise underwrite loans consistent with the principles contained in interagency standards. The deferral will expire on December 31, 2020, unless extended by the federal banking agencies.

In conjunction with the interim final rule, the federal banking agencies, together with the National Credit Union Administration and the Consumer Financial Protection Bureau, issued an interagency statement that outlines existing flexibilities in industry appraisal standards and federal appraisal regulations.² It also summarizes temporary changes to Fannie Mae and Freddie Mac appraisal standards that can assist lenders in light of the COVID-19 pandemic.