RESIDENTIAL APPRAISAL THRESHOLD INCREASED TO $400,000

The Federal banking agencies have issued a final rule increasing the appraisal threshold for residential real estate transactions from $250,000 to $400,000. Under the final rule, transactions that qualify for the exemption must still obtain an evaluation consistent with safe and sound banking practices. The final rule also requires appraisals to be subject to appropriate review for compliance with Uniform Standards of Professional Appraisal Practice (USPAP).

The federal banking agencies also added the rural residential appraisal exemption to the final rule. The rural residential appraisal exemption provides that a financial institution need not obtain an appraisal if the property is located in a rural area; the transaction value is less than $400,000; the financial institution retains the loan in portfolio, subject to certain exceptions; and not later than three days after the Closing Disclosure Form is given to the consumer, the financial institution or its agent has contacted not fewer than three state certified or state licensed appraisers, as applicable, and has documented that no such appraiser was available within five business days beyond customary and reasonable fee and timeliness standards for comparable appraisal assignments. However, the final rule also provides that evaluations must be obtained when the rural residential appraisal exemption is used.

All provisions of the final rule, other than the evaluation requirement for transactions exempted by the rural residential appraisal exemption and the requirement for appraisals to be subject to appropriate review for compliance with USPAP became effective on October 9, 2019. The provisions for the evaluation requirement for transactions exempted by the rural residential appraisal exemption and for the review for compliance with USPAP will be effective on January 1, 2020.