
225.62 Definitions.

- a. **Appraisal** means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.
- b. **Appraisal Foundation** means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.
- c. **Appraisal Subcommittee** means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.
- d. **Business loan** means a loan or extension of credit to any corporation, general or limited partnership, business trust, joint venture, pool, syndicate, sole proprietorship, or other business entity.
- e. **Complex 1-to-4 family residential property appraisal** means one in which the property to be appraised, the form of ownership, or market conditions are atypical.
- f. **Federally related transaction** means any real estate-related financial transaction entered into on or after August 9, 1990, that:
 - 1. The Board or any regulated institution engages in or contracts for; and
 - 2. Requires the services of an appraiser.
- g. **Market value** means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 - 1. Buyer and seller are typically motivated;
 - 2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
 - 3. A reasonable time is allowed for exposure in the open market;
 - 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- h. **Real estate or real property** means an identified parcel or tract of land, with improvements, and includes easements, rights of way, undivided or future interests, or similar rights in a tract of land, but does not include mineral rights, timber rights, growing crops, water rights, or similar interests severable from the land when the transaction does not involve the associated parcel or tract of land.
- i. **Real estate-related financial transaction** means any transaction involving:
 - 1. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or
 - 2. The refinancing of real property or interests in real property; or
 - 3. The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.
- j. **State certified appraiser** means any individual who has satisfied the requirements for certification in a State or territory whose criteria for certification as a real estate appraiser currently meet or exceed the minimum criteria for certification issued by the Appraiser Qualifications Board of the Appraisal Foundation. No individual shall be a State certified appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the Appraisal Foundation. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with title XI of FIRREA. The Board may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction.
- k. **State licensed appraiser** means any individual who has satisfied the requirements for licensing in a State or territory where the licensing procedures comply with title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with title XI. The Board may, from time to time, impose additional qualification criteria for licensed appraisers performing appraisals in connection with federally related transactions within the Board's jurisdiction.
- l. **Tract development** means a project of five units or more that is constructed or is to be constructed as a single development.
- m. **Transaction value means:**
 - 1. For loans or other extensions of credit, the amount of the loan or extension of credit;
 - 2. For sales, leases, purchases, and investments in or exchanges of real property, the

market value of the real property interest involved; and

3. For the pooling of loans or interests in real property for resale or purchase, the amount of the loan or the market value of the real property calculated with respect to each such loan or interest in real property.

225.63 Appraisals required; transactions requiring a State certified or licensed appraiser.

- a. **Appraisals required.** An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions **except** those in which:
 1. The transaction value is \$ 250,000 or less;
 2. A lien on real estate has been taken as collateral in an abundance of caution;
 3. The transaction is not secured by real estate;
 4. A lien on real estate has been taken for purposes other than the real estate's value;
 5. The transaction is a business loan that:
 - i. Has a transaction value of \$ 1 million or less; and
 - ii. Is not dependent on the sale of, or rental income derived from, real estate as the primary source of repayment;
 6. A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate;
 7. The transaction involves an existing extension of credit at the lending institution, provided that:
 - i. There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the institution's real estate collateral protection after the transaction, even with the advancement of new monies; or
 - ii. There is no advancement of new monies, other than funds necessary to cover reasonable closing costs;
 8. The transaction involves the purchase, sale, investment in, exchange of, or extension of credit secured by, a loan or interest in a loan, pooled loans, or interests in real property, including mortgaged-backed securities, and each loan or interest in a loan, pooled loan, or real property interest met Board regulatory requirements for appraisals at the time of origination;
 9. The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency;
 10. The transaction either:
 - i. Qualifies for sale to a United States government agency or United States government sponsored agency; or
 - ii. Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate;
 11. The regulated institution is acting in a fiduciary capacity and is not required to obtain an appraisal under other law; or
 12. The Board determines that the services of an appraiser are not necessary in order to protect Federal financial and public policy interests in real estate-related financial transactions or to protect the safety and soundness of the institution.
- b. **Evaluations required.** For a transaction that does not require the services of a State certified or licensed appraiser under paragraph (a)(1), (a)(5) or (a)(7) of this section, the institution shall obtain an appropriate evaluation of real property collateral that is consistent with safe and sound banking practices.
- c. **Appraisals to address safety and soundness concerns.** The Board reserves the right to require an appraisal under this subpart whenever the agency believes it is necessary to address safety and soundness concerns.
- d. **Transactions requiring a State certified appraiser. --**
 1. All transactions of \$1,000,000 or more. All federally related transactions having a transaction value of \$1,000,000 or more shall require an appraisal prepared by a State certified appraiser.
 2. Nonresidential transactions of \$250,000 or more. All federally related transactions having a transaction value of \$250,000 or more, other than those involving appraisals of 1-to-4 family residential properties, shall require an appraisal prepared by a State certified appraiser.
 3. Complex residential transactions of \$250,000 or more. All complex 1-to-4 family

residential property appraisals rendered in connection with federally related transactions shall require a State certified appraiser if the transaction value is \$250,000 or more. A regulated institution may presume that appraisals of 1-to-4 family residential properties are not complex, unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If during the course of the appraisal a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either:

- i. The regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and co-sign the appraisal;
or
 - ii. The institution may engage a certified appraiser to complete the appraisal.
- e. Transactions requiring either a State certified or licensed appraiser. All appraisals for federally related transactions not requiring the services of a State certified appraiser shall be prepared by either a State certified appraiser or a State licensed appraiser.