



GSE Activity Report

Tuesday, July 18, 2017

An Appraisal Out?

Bowing to Congressional and community-bank pressure, the FDIC today approved an interagency NPR raising the mandatory-appraisal threshold for CRE loans to \$400,000 from the current \$250,000 threshold set in 1994. The rule would also ease the appraisal thresholds to some extent for residential construction, but it does nothing to the fundamental, controversial appraisal requirements otherwise for one-to-four-family housing. However, a general question is posed on house appraisals, a question we think will open a floodgate of comments from bankers – especially community ones – trying to get out of the home-mortgage appraisal standard. Indeed, legislation (H.R. 3221) was introduced late last week to exempt loans in rural and certain under-served communities from the appraisal standard.

Will the agencies give on mortgages as they gave on CRE? We doubt it because doing so would go well beyond community-bank relief to affect the broad scope of bank-originated mortgages. Ginnie and GSE demands for appraisals regardless of what the bank regulators say could also scotch much relief the regulators might be willing to contemplate.

That said, starting to talk appraisal outs does open the way to mortgage action. In our forthcoming paper on mortgage-market inequality, we will argue for limited appraisal relief in concert with requirements for alternative-valuation methods. These would meet our over-arching goal of greater mortgage access without more risk. Comments on the appraisal proposal will be due sixty days after *Register* publication.