

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA

October 5, 2005

**BANKING SUPERVISION AND REGULATION:
FAQS ON RESIDENTIAL TRACT
DEVELOPMENT LENDING**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks,
and Others Concerned,
in the Twelfth Federal Reserve District

Interagency FAQs on Residential Tract Development Lending (SR 05-14)

The Federal Reserve and the other federal financial institutions regulatory agencies are jointly issuing the attached Frequently Asked Questions (FAQ) to assist regulated institutions in complying with the agencies' appraisal regulations and real estate lending requirements when financing residential construction in a tract development.¹

The FAQ topics include the following:

- Definition of residential tract development, including clarification on a residential unit and pre-sold unit
- Appraisal requirements for residential tract development, raw land, residential lots, and condominium buildings
- Clarification on loan amount and collateral value for purposes of calculating the loan-to-value ratio for residential tract development loans
- Acceptable use of an appraisal of a model home
- Underwriting characteristics of a revolving line of credit in which a borrowing base sets the availability of funds to the borrower
- Appraisal requirements for transactions financing the construction of single-family homes in a residential tract development

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>.

For additional information about the FAQs please contact our Banking Supervision and Regulation Department at (213) 683-2866.

FEDERAL RESERVE BANK OF SAN FRANCISCO

[Attachment: FAQs on Residential Tract Development Lending](#)

¹ Real estate appraisal regulations: 12 CFR 208 subpart E and 12 CFR 225 subpart G. Interagency Appraisal and Evaluation Guidelines: SR letter 94-55. Real estate lending standards regulation and guidelines: 12 CFR 208 subpart E and appendix C.