

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Federal Reserve Announces Interim Final Rule on Real Estate Appraisal

The Federal Reserve Board announced on October 18, 2010 an interim final rule to ensure that real estate appraisers are free to use their independent professional judgment in assigning home values without influence or pressure from those with interests in the transactions. The rule also seeks to ensure that appraisers receive customary and reasonable payments for their services.

The interim final rule includes several provisions that protect the integrity of the appraisal process when a consumer's home is securing the loan. The interim final rule:

- Prohibits coercion and other similar actions designed to cause appraisers to base the appraised value of properties on factors other than their independent judgment;
- Prohibits appraisers and appraisal management companies hired by lenders from having financial or other interests in the properties or the credit transactions;
- Prohibits creditors from extending credit based on appraisals if they know beforehand of violations involving appraiser coercion or conflicts of interest, unless the creditors determine that the values of the properties are not materially misstated;
- Requires that creditors or settlement service providers that have information about appraiser misconduct file reports with the appropriate state licensing authorities; and
- Requires the payment of reasonable and customary compensation to appraisers who are not employees of the creditors or of the appraisal management companies hired by the creditors.

The interim final rule is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance will be mandatory on April 1, 2011. Public comments are due 60 days after the interim final rule is published in the *Federal Register*.

Additional Information

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

For additional information, please contact:

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Attachment: *Federal Register* notice: [HTML](#) | [271 KB PDF](#)