



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

October 18, 2005

Notice 05-62

TO: The Chief Executive Officer of each
state member bank and bank holding company
in the Eleventh Federal Reserve District

SUBJECT

Waiver of Appraisal Requirements for Financial Institutions Affected by Hurricanes Katrina and Rita

DETAILS

The Federal Reserve and the other federal financial institutions regulatory agencies have granted a waiver of their appraisal regulations for three years to regulated financial institutions that are entering into transactions with borrowers affected by Hurricanes Katrina and Rita (“hurricanes”). The waiver is expected to reduce loan processing times and, therefore, may assist institutions in responding to the financial needs of borrowers affected by the hurricanes. See the attached joint *Federal Register* notice.

The waiver covers real estate-related transactions involving real estate located in certain Alabama, Mississippi, and Texas counties and Louisiana parishes that have been designated by the Federal Emergency Management Agency (FEMA) as qualifying for “Individual and Public Assistance (all categories)” and “Individual and Public Assistance (Categories A and B)” as a result of the hurricanes. A listing of the designated disaster areas is in the appendix of the attached *Federal Register* notice. Exceptions for the major disasters declared due to Hurricane Katrina will expire on August 29, 2008, in Alabama, Mississippi, and Louisiana, and for Hurricane Rita on September 24, 2008, in Louisiana and Texas.

To qualify for the waiver, a financial institution needs to document that:

- (1) The transaction involves real property located in the designated disaster areas;
- (2) The property involved was directly affected by the major disaster or the transaction would facilitate recovery from the disaster(s);

- (3) There is a binding commitment to fund the transaction that is made within three years after the date the major disaster was declared; and
- (4) The value of the real property supports the institution's decision to enter into the transaction.

ATTACHMENTS

A copy of the Board's SR letter dated October 11, 2005, and the agencies' notice as it appears on pages 59987-88, Vol. 70, No. 198 of the *Federal Register* dated October 14, 2005, are attached.

MORE INFORMATION

For more information, please contact Bobby Coberly, (214) 922-6209, or Randy Steinley, (713) 483-3117, Banking Supervision Department. Previous Federal Reserve Bank notices are available on our web site at www.dallasfed.org/banking/notices/index.html or by contacting the Public Affairs Department at (214) 922-5254.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

DIVISION OF BANKING
SUPERVISION AND
REGULATION

SR 05-18
October 11, 2005

TO THE OFFICER IN CHARGE OF SUPERVISION AND
APPROPRIATE SUPERVISORY STAFF AT EACH FEDERAL
RESERVE BANK AND BANKING ORGANIZATIONS
SUPERVISED BY THE FEDERAL RESERVE

SUBJECT: Waiver of the Appraisal Regulation for Regulated Institutions Affected by Hurricanes
Katrina and Rita

The Federal Reserve and the other federal financial institutions regulatory agencies have granted a waiver of their appraisal regulations for three years to regulated financial institutions that are entering into transactions with borrowers affected by Hurricanes Katrina and Rita ("Hurricanes"). The waiver is expected to reduce loan processing times and, therefore, may assist institutions in responding to the financial needs of borrowers affected by the Hurricanes. See the attached joint *Federal Register* notice.¹

The waiver covers real estate-related transactions involving real estate located in certain Alabama, Mississippi, and Texas counties and Louisiana parishes that have been designated by the Federal Emergency Management Agency (FEMA) as qualifying for "Individual and Public Assistance (all categories)" and "Individual and Public Assistance (Categories A and B)" as a result of the Hurricanes. A listing of the designated disaster areas is in the appendix of the attached *Federal Register* notice. Exceptions for the major disasters declared due to Hurricane Katrina will expire on August 29, 2008, in Alabama, Mississippi, and Louisiana, and for Hurricane Rita on September 24, 2008, in Louisiana and Texas.

To qualify for the waiver, a financial institution needs to document that: (1) the transaction involves real property located in the designated disaster areas; (2) the property involved was directly affected by the major disaster or the transaction would facilitate recovery from the disaster(s); (3) there is a binding commitment to fund the transaction that is made within three years after the date the major disaster was declared; and (4) the value of the real property supports the institution's involvement in the transaction.

Whether or not an institution elects to take advantage of this waiver is a business decision that may be determined by the institution on a case-by-case basis. When an institution decides to rely on the appraisal waiver for a particular real estate-related transaction, the institution should provide sufficient documentation in the loan file to support its credit decision and assessment of the collateral's value.² Institutions should continue to extend credit on terms that are consistent with safe and sound banking principles.

Reserve Banks are asked to provide a copy of this letter and the *Federal Register* notice to state member banks and bank holding companies and to appropriate supervision staff. Questions concerning the appraisal waiver should be directed to Ms. Virginia Gibbs, Senior Supervisory Financial Analyst, at 202-452-2521. Additional materials and guidance issued by the Federal Reserve and related to the recent Hurricanes can be found on the Board's website on the [Hurricane Katrina web page](#).

Richard Spillenkothen
Director

Attachment:

[Federal Register](#)

Department of the Treasury – Office of the Comptroller of the Currency
Federal Reserve System
Federal Deposit Insurance Corporation
Department of the Treasury – Office of Thrift Supervision
National Credit Union Administration

Notes:

1. This action is being taken pursuant to the agencies' authority under the Depository Institutions Disaster Relief Act (DIDRA) of 1992 to waive the appraisal requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the agencies' appraisal regulations for up to 36 months when the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, determines that a major disaster exists and the agencies determine that such waiver would both facilitate recovery in the disaster area and be consistent with safety and soundness.
 2. See SR letter 94-55 for the [Interagency Appraisal and Evaluation Guidelines](#) for guidance on evaluating collateral.
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Rules and Regulations

Federal Register

Vol. 70, No. 198

Friday, October 14, 2005

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 34

FEDERAL RESERVE SYSTEM

12 CFR Part 225

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 323

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 564

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 722

Real Estate Appraisal Exceptions in Major Disaster Areas

AGENCIES: Office of the Comptroller of the Currency, Treasury Department (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision, Treasury Department (OTS); and National Credit Union Administration (NCUA), collectively referred to as “the Agencies.”

ACTION: Statement and Order; temporary exceptions.

SUMMARY: Section 2 of the Depository Institutions Disaster Relief Act of 1992 (DIDRA) authorizes the Agencies to make exceptions to statutory and regulatory requirements relating to appraisals for certain transactions. The exceptions are available for transactions that involve real property in major

disaster areas when the exceptions would facilitate recovery from the disaster and would be consistent with safety and soundness. In this notice, the Agencies grant exceptions for certain real estate-related transactions in areas affected by Hurricanes Katrina and Rita. The expiration dates for the exceptions are set out in the **SUPPLEMENTARY INFORMATION** section.

DATES: This order is effective on October 14, 2005 and expires for specific areas on the dates indicated in the **SUPPLEMENTARY INFORMATION** section.

FOR FURTHER INFORMATION CONTACT:

OCC

Dena G. Patel, Credit Risk Specialist, (202) 874-5170, Office of the Chief National Bank Examiner; or Sue Auerbach, Counsel, (202) 874-5300, Chief Counsel's Office, 250 E Street, SW., Washington, DC 20219.

Board

Virginia M. Gibbs, Senior Supervisory Financial Analyst, (202) 452-2521, Division of Banking Supervision and Regulation; or April Snyder, Attorney, (202) 452-3099, Legal Division. Mail: Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC, 20551.

FDIC

James D. Leitner, Examination Specialist, (202) 898-6790, Division of Supervision and Consumer Protection; or Mark G. Flanigan, Counsel, (202) 898-7426, Legal Division, 550 17th Street, NW., Washington, DC 20429.

OTS

Deborah Merkle, Project Manager, Credit Policy, (202) 906-5688; Karen Osterloh, Special Counsel, Regulation and Legislation Division, Chief Counsel's Office, (202) 906-6639, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

NCUA

Regina Metz, Staff Attorney, Office of General Counsel, (703) 518-6540; or Anthony LaCreta, Deputy Director, Office of Examination and Insurance, (703) 518-6360, 1775 Duke Street, Alexandria, VA 22314.

SUPPLEMENTARY INFORMATION:

Statement

Section 2 of DIDRA, 12 U.S.C. 3352, authorizes the Agencies to make exceptions to statutory and regulatory appraisal requirements for certain transactions. These exceptions are available for real property located in areas that the President has determined, pursuant to 42 U.S.C. 5170, that a major disaster exists, provided that the exception would facilitate recovery from the major disaster and is consistent with safety and soundness.¹ Such exceptions expire not later than three years after the date of the President's determination that a major disaster exists in the area.

On August 29, and September 24, 2005, the President declared several areas in certain Alabama, Mississippi, and Texas counties and Louisiana parishes as Major Disaster Areas and individual assistance was authorized by the Federal Emergency Management Agency (“FEMA”) as a result of the extensive damage caused by Hurricanes Katrina and Rita. The Agencies believe that granting relief from the appraisal requirements for real estate transactions in certain designated disaster areas is consistent with the provisions of DIDRA.²

The Agencies have determined that the disruption of real estate markets in those FEMA-designated disaster areas interferes with the ability of depository institutions to obtain appraisals that comply with statutory and regulatory requirements. Therefore, the Agencies have determined that the disruption may impede institutions in making loans and engaging in other transactions that would aid in the reconstruction and rehabilitation of the affected areas. Accordingly, the Agencies have determined that recovery from these two major disasters would be facilitated by excepting certain transactions involving real estate located in the areas directly affected by the hurricanes from the real estate appraisal requirements of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended, and the regulations promulgated thereunder.

¹ The agencies must make the exception no later than 30 months after the date on which the President determines that a major disaster exists in the area.

² Those counties and parishes designated by FEMA as receiving “Individual and Public Assistance (all categories)” and “Individual and Public Assistance (Categories A and B).”

This order has the effect of excepting the transactions specified below from the definition of "federally related transactions" in Title XI of FIRREA and the agencies' appraisal regulations, and thereby from the statutory and regulatory real estate appraisal requirements for such transactions.

The Agencies also have determined that the exceptions are consistent with safety and soundness, subject to the requirement that the depository institution's records relating to any excepted transaction appropriately document the following: (1) The property involved was directly affected by the major disaster or the transaction would facilitate recovery from the disaster; (2) there is a binding commitment to fund the transaction that is made within three years after the date the major disaster was declared; and (3) the value of the real property supports the institution's decision to enter into the transaction. In addition, the transaction must continue to be subject to review by management and by the Agencies in the course of examinations of the institution.

Expiration Dates

Exceptions provided under this order expire not later than three years after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5170 (DREAA), that a major disaster exists in the area. Accordingly, exceptions for the major disasters declared due to Hurricane Katrina expire on August 29, 2008, in Alabama, Mississippi and Louisiana; and exceptions for the major disasters declared due to Hurricane Rita expire on September 24, 2008, in Louisiana and Texas.

Order

In accordance with section 2 of DIDRA, relief is hereby granted from the provisions of Title XI of FIRREA and the agencies' appraisal regulations for any real estate-related financial transaction that requires the services of an appraiser under those provisions, provided that:

(1) The transaction involves real property located in an area that the President has determined, pursuant to section 401 of DREAA, is a major disaster area as a result of Hurricane Katrina (August 2005) in Alabama, Louisiana, and Mississippi; or as a result of Hurricane Rita (September 2005) in Louisiana and Texas, and has been designated eligible for federal assistance by FEMA;³

(2)(a) The real property involved was directly affected by the major disaster; or

(2)(b) The real property involved was not directly affected by the major disaster but the transaction would facilitate recovery from the disaster;

(3) There is a binding commitment to fund a transaction that is made within three years after the date the major disaster was declared by the President; and

(4) The institution retains in its files, for examiner review, appropriate documentation indicating that the requirements of Items (1)–(3) above are met and supporting the valuation of the real property involved in the transaction.

Appendix

Counties and parishes designated by FEMA as receiving "Individual and Public Assistance (all categories)" and "Individual and Public Assistance (Categories A and B)"

Hurricane Katrina

Alabama: Baldwin, Choctaw, Clarke, Greene, Hale, Mobile, Pickens, Sumter, Tuscaloosa and Washington

Louisiana: Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Pointe Coupee, Plaquemines, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Mary, St. Martin, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana

Mississippi: Adams, Amite, Attala, Choctaw, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

Hurricane Rita

Louisiana: Acadia, Allen, Beauregard, Calcasieu, Cameron, Iberia, Jefferson Davis, Lafayette, Lafourche, St. Mary, Terrebonne, and Vermilion

Texas: Chambers, Galveston, Hardin, Jasper, Jefferson, Liberty, Newton, Orange, and Tyler

Dated: October 5, 2005.

John C. Dugan,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System.

Dated: October 4, 2005.

Jennifer J. Johnson,

Secretary of the Board.

By order of the Board of Directors.

Dated at Washington, DC, this 4th day of October, 2005.

Federal Deposit Insurance Corporation.

Robert E. Feldman,

Executive Secretary.

Dated: October 6, 2005.

By the Office of Thrift Supervision.

John M. Reich,

Director.

By order of the National Credit Union Administration.

Dated: October 4, 2005.

Mary F. Rupp,

Secretary of the Board.

[FR Doc. 05–20583 Filed 10–13–05; 8:45 am]

BILLING CODE 6714–01–P; 4810–33–P; 6210–01–P; 6720–01–P; 7535–01–P

³ Those areas designated by FEMA as receiving "Individual and Public Assistance (all categories)"

and "Individual and Public Assistance (Categories A and B)" in Alabama, Mississippi, and Texas counties and Louisiana parishes, as listed in the appendix to this order.