

SUPPORTING STATEMENT
RECORDKEEPING REQUIREMENTS ASSOCIATED WITH
REAL ESTATE APPRAISALS AND EVALUATIONS
(OMB No. 3064-0103)

INTRODUCTION

The FDIC is requesting OMB approval of an extension, without change, of an existing information collection. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) directs the FDIC to prescribe appropriate performance standards for real estate appraisals connected with federally related transactions under its jurisdiction. This information collection is a direct consequence of the statutory requirement. It provides protection for federal financial and public policy interests by requiring real estate appraisals used in connection with federally related transactions to be in writing, conducted in accordance with uniform standards, by a competent appraiser whose professional conduct is subject to effective supervision. The information collection expires on June 20, 2024.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

Title XI of FIRREA was enacted to protect federal financial and public policy interests in real estate related transactions. Many loans and other transactions entered into by federally insured financial institutions are collateralized by liens on real estate. While repayment ability stands as the primary criteria for determining creditworthiness, the value of collateral provides some protection against loss. Faulty, incompetent, or fraudulent appraisals of real estate have caused large loan losses, can contribute to the failure of financial institutions, and may result in losses to the Deposit Insurance Fund (DIF).

FIRREA directs FDIC and other Agencies to prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under its jurisdiction. It mandates that the regulations promulgated by the FDIC require, at a minimum, that appraisals conform to the standards of the Appraisal Standards Board of the Appraisal Foundation, and that they be in writing. Moreover, the statute specifically authorizes FDIC to require compliance with additional appraisal standards if such additional standards are required in order to properly carry out its statutory mission. FDIC has included additional standards in the rule to carry out the legislative intent that appraisals in federally related transactions provide accurate information that adequately reflects the market value of the real estate being appraised. The information collection activities attributable to the rule are a direct consequence of the statutory requirements and the legislative intent.

2. Use of the information:

Each financial institution regulated by FDIC will use the information in connection with determining whether and upon what terms to enter into a federally related transaction, such as making a loan on commercial real estate or purchasing property for its operations. In addition, the FDIC will use this information in its examination of regulated institutions to ensure that extensions of credit made by the examined institution which are collateralized by real estate, and that permissible direct investments in real estate, are undertaken in accordance with safe and sound banking principles.

The use of this information will help ensure that regulated institutions are not exposed to risk of loss from inadequate appraisals. A regulated institution's failure to engage in the information collection activities included in the regulation will, in some cases, (1) result in a violation of the provisions of Title XI, (2) impede the FDIC in carrying out its statutory obligation to ensure that its regulated institutions conduct their activities in accordance with safe and sound banking principles, and (3) increase the risk of loss to the DIF.

3. Consideration of the use of improved information technology:

The use of improved information technology is not applicable to this collection of information since it only requires banks to maintain records of appraisals and evaluations that meet specific standards; no information in this collection is forwarded to the FDIC. The banks are free to utilize any technology they wish in order to lessen the burden of maintaining the appraisal and evaluation records.

4. Efforts to Identify Duplication

There is no regulatory duplication; each appraisal and/or evaluation is unique to the individual property appraised. No similar information is available to the regulated institution or the FDIC.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

This information collection does not have a significant impact on a substantial number of small entities. The burden for this collection of information has been reduced to the minimum possible under the governing statute and in keeping with FDIC's supervisory responsibilities. Only the information necessary for regulated institutions to make an informed decision and for the FDIC to fulfill its statutory responsibilities for all institutions, regardless of size, is requested.

6. Consequences to the Federal program if the collection were conducted less frequently:

The information is collected only as real estate related transactions arise. Less frequent collection is inconsistent with the underlying statute and would not promote safety and soundness for individual banks or the banking system.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d) (2):

None.

8. Efforts to consult with persons outside the agency:

A notice seeking public comment for a 60-day period was published in the *Federal Register* on March 20, 2024 (89 FR 19829). No comments were received.

9. Payment or gifts to respondents:

None.

10. Any assurance of confidentiality:

The information reported is kept private to the extent allowed by law. Any information deemed to be of a confidential nature is exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Justification for questions of a sensitive nature:

This collection contains no information of a sensitive nature.

12. Estimate of hour burden including annualized hourly costs:

There is no change in the methodology or substance of the information collection as fully detailed in the prior submission. Based on current data, the number of respondents and frequency of response per respondent has been updated which has resulted in a reduction in the number of respondents but a slight increase in the number of transactions subject to the recordkeeping requirement (frequency of response) which has resulted in an increase in the estimated annual burden.

Table 1. Summary of Estimated Annual Burdens (OMB No. 3064-0103)						
IC Description	Type of Burden (Obligation to Respond)	Frequency of Response	Number of Respondents	Number of Responses / Respondent	Hours per Response	Annual Burden (Hours)
Recordkeeping Requirements Associated with Real Estate Appraisals and Evaluations	Recordkeeping (Mandatory)	On occasion	3,038	250	0.083	63,039
Total Annual Burden Hours:						63,039
Source: FDIC.						

The FDIC is maintaining the hourly cost estimate for this information collection at \$38.08 as detailed in the prior submission. Given the total estimated annual burden of 63, 039 hours, the total estimated labor cost for this information collection is \$2,400,525.

13. Estimate of start-up cost to respondents:

None.

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

There is no change in the methodology or substance of the information collection as fully detailed in the prior submission. Based on current data, the number of respondents and frequency of response per respondent has been updated which has resulted in a reduction in the number of respondents but a slight increase in the number of transactions subject to the recordkeeping requirement (frequency of response) which has resulted in an increase in the estimated annual burden.

16. Information regarding collections whose results are planned to be published for statistical use:

No publication is made of this collection of information.

17. Exceptions to Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.