**SUPPORTING STATEMENT**

RECORDKEEPING REQUIREMENTS ASSOCIATED WITH

REAL ESTATE APPRAISALS AND EVALUATIONS

(OMB No. 3064‑0103)

INTRODUCTION

The FDIC is requesting OMB approval for an extension, with revisions, of an existing information collection. This Supporting Statement is submitted in connection with the issuance of a final rule (the Final Rule) that codifies recordkeeping requirements concerning the use of automated valuation models (AVMs) in valuing real estate collateral securing mortgage loans. These regulations are mandated by the Dodd-Frank Act for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer’s principal dwelling. Section 1473(q) of the Dodd-Frank Act amended title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (title XI)[[1]](#footnote-2) to add a new section 1125 relating to the use of AVMs in valuing real estate collateral securing mortgage loans (section 1125).[[2]](#footnote-3) Section 1125 directs the agencies to promulgate regulations to implement quality control standards regarding AVMs.

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) (the banking agencies), together with the Consumer Financial Protection Bureau (CFPB) and the Federal Housing Finance Agency (FHFA) are revising their real estate appraisals and evaluations information collections to account for these new regulation and revised Reconsideration of Value guidelines (the ROV Guidelines). The banking agencies are updating and aligning their information collections with respect to the burden associated with the Interagency Appraisal and Evaluation Guidelines [[3]](#footnote-4) to include the new recordkeeping requirements imposed by this Final Rule and suggested by the ROV Guidelines.

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.

Proposed 12 CFR 323.222 codifies the requirement that supervised mortgage originators and secondary market issuers that engage in credit decisions or covered securitization determinations themselves, or through or in cooperation with a third-party or affiliate, adopt and maintain policies, practices, procedures, and control systems concerning AVMs. The policies, procedures, and control systems should ensure that AVMs used in these transactions adhere to quality control standards designed to (a) ensure a high level of confidence in the estimates produced; (b) protect against the manipulation of data; (c) avoid conflicts of interest; (d) require random sample testing and reviews; and (e) comply with applicable nondiscrimination laws.

The banking agencies have issued Interagency Appraisal and Evaluation Guidelines (the Guidelines), which provide supervisory guidance and best practices relating to real estate appraisals and evaluations used to support real estate-related financial transactions. These Guidelines recommend that institutions adopt policies and procedures to ensure compliance with Title XI of FIRREA and 13 CFR part 34. Specifically, the guidelines address appraisal independence, minimum appraisal standards in the appraisal regulations, and institutions’ policies and procedures for conducting and monitoring appraisals, evaluations, and related activities; explain what transactions require appraisals under the appraisal regulations and provide guidance for the development and content of an evaluation; and discuss third-party arrangements, compliance programs, and referrals. Records of appraisals, evaluations, or other documentation pertaining to the institutions’ monitoring or updating of property values should be kept in the credit file for the life of the loan. These records can be either paper or electronic records.

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:

The Final Rule does not have a significant impact on a substantial number of small entities.[[4]](#footnote-5)

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:

On June 21, 2023 (88 FR 40638) the FDIC issued a notice of proposed rulemaking requesting comments for a period of 60 days of comment.

The agencies received three comments on estimated labor hours and costs for the information collection requirements of the proposed rule. One commenter stated that the agencies’ estimate of the labor hours associated with recordkeeping by covered entities in years following implementation may be appropriate for documentation of policies and procedures, but suggested that the proposed rule underestimated other regulatory burdens associated with ongoing compliance. Another commenter stated that the agencies’ estimate of labor hours associated with recordkeeping by covered entities seemed relatively low given the effort needed to establish control systems. Finally, one commenter stated that incorporating principles-based guidelines regarding AVMs is not costly or time consuming. The agencies have carefully reviewed burdens associated with recordkeeping, reporting, and disclosure for each section of the rule in consideration of the comments received. The agencies note that, consistent with the PRA, the PRA burden estimates reflect only the burden related to recordkeeping, reporting, and disclosure requirements in the final rule. PRA burdens, like compliance costs, may vary across institutions, and the agencies’ PRA burden estimates are meant to be overall averages. The agencies believe the estimates of burden hours are reasonable considering the recordkeeping requirements of the final rule.

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:

This Supporting Statement provides burden estimates for three sets of information collection (IC) line items, totaling five ICs that are associated with real estate appraisals and evaluations. This represents an expansion from the current clearance for OMB No. 3064-0103, which was last renewed for a single IC in August 2024, due to the recently issued interagency Notice of Proposed Rulemaking (NPR) on automated valuation models (AVMs)[[5]](#footnote-6) and the incorporation of ICs associated with the existing *Interagency Appraisal and Evaluation Guidelines* (Guidelines). The first set of ICs is an existing line item in this ICR and covers records kept by FDIC-supervised institutions to demonstrate that appraisals used in their real estate lending activities comply with regulatory requirements stated in 12 CFR Part 323 (Part 323). The second set is two ICs associated with the Final Rule. The third set is two ICs related to the Guidelines.[[6]](#footnote-7)

***A. Existing IC***

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) directs the FDIC to prescribe appropriate standards for real estate appraisals connected with federally related transactions under its jurisdiction. This existing IC (IC 1) stems from the statutory requirement and is implemented under Part 323 of the FDIC’s regulations.[[7]](#footnote-8) The FIRREA and its associated regulations are designed to provide protection for federal financial and public policy interests by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, and in accordance with uniform standards, by an appraiser whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. It applies to all federally related transactions entered into by the FDIC or by institutions supervised by the FDIC (FDIC-supervised institutions).[[8]](#footnote-9)

*IC 1: Recordkeeping to Show Compliance with Appraisals Rule, 12 CFR Part 323, (Mandatory).* IC 1 covers the creation and maintenance of records by FDIC-supervised institutions that demonstrate that appraisals used in their real estate-related lending activities comply with the regulation.

Part 323 includes a recordkeeping requirement for entities subject to the regulation. For real estate transactions that are exempted from the Title XI[[9]](#footnote-10) appraisal requirements under Part 323, FDIC-supervised institutions are still required to obtain an evaluation to justify the transaction amount. In a rulemaking published on April 9, 2018, the Federal Reserve (FRB), the Office of the Comptroller of the Currency (OCC), and the FDIC estimated that the amount of time required to document the review of an appraisal is the same as the amount of time required to document the review of an evaluation.[[10]](#footnote-11) As part of the existing OMB No. 3064-0103, IC 1 was last approved by OMB on August 15, 2024 and included an estimated 3,038 annual respondents, an estimated 759,500 annual responses, and an estimated annual time burden of 63,039hours (2024 ICR).

***B. ICs Associated with the Final Rule***

Section 1473(q) of the Dodd-Frank Act amended Title XI of the FIRREAto add a new section 1125 relating to the use of AVMs in valuing real estate collateral securing mortgage loans.[[11]](#footnote-12) Section 1125 requires the FDIC and other agencies to issue quality control standards for AVMs. The agencies include the FDIC, the Federal Reserve (FRB), the Office of the Comptroller of the Currency (OCC), the Consumer Financial Protection Bureau (CFPB), the Federal Housing Finance Agency (FHFA), and the National Credit Union Administration (NCUA). The Final Rule establishes quality control standards for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer’s principal dwelling. The Final Rule requires FDIC-supervised mortgage originators and secondary market issuers[[12]](#footnote-13) that engage in credit decisions or covered securitization determinations[[13]](#footnote-14) themselves, or through or in cooperation with a third party or affiliate, to adopt and maintain policies, practices, procedures, and control systems to ensure that AVMs used in these transactions adhere to quality control standards designed to:

(a) Ensure a high level of confidence in the estimates produced;

(b) Protect against the manipulation of data;

(c) Avoid conflicts of interest;

(d) Require random sample testing and reviews; and

(e) Comply with applicable nondiscrimination laws.[[14]](#footnote-15)

The quality control standards in the Final Rule are applicable only to AVMs used in connection with making credit decisions or covered securitization determinations regarding a mortgage secured by a consumer’s principal dwelling (covered AVMs). The Final Rule requires regulated mortgage originators and secondary market issuers to adopt policies, procedures, and control systems to ensure that covered AVMs adhere to the specified quality control standards whenever the covered institutions use covered AVMs while engaging in certain credit decisions or covered securitization determinations.

There are two ICs (“IC 2” and “IC 3” in this Supporting Statement) that pertain to requirements for covered institutions to maintain records that demonstrate that their use of AVMs for in-scope residential real estate-related transactions comply with the Final Rule. The PRA burdens for these activities can be divided into implementation burdens incurred during the first year that the rule enters into force and ongoing burdens incurred in all subsequent years, as described below.

*IC 2: Implementation of Policies, Procedures, and Controls, 12 CFR § 323.17, (Mandatory).* IC 2 captures the required recordkeeping activities of FDIC-supervised institutions associated with the establishment, development, and implementation of policies, procedures, and controls for the AVM quality control standards in the final rule. FDIC assumes FDIC-supervised institutions using covered AVMs for in-scope activities would undertake these recordkeeping activities in the first year they are subjected to the requirements in 12 CFR 323.17.

*IC3: Ongoing AVM Policies, Procedures, and Controls, 12 CFR § 323.17, (Mandatory).*  IC 3 captures the ongoing recordkeeping activities of FDIC-supervised institutions associated with their established policies, procedures, and controls for AVM quality control standards. FDIC assumes all FDIC-supervised institutions would undertake these ongoing recordkeeping activities in each year, including the first year the rule is in effect.

***C. ICs Associated with the 2010 Interagency Guidelines***

As mentioned above, the Guidelines[[15]](#footnote-16) provide clarification of the agencies’ appraisal regulations[[16]](#footnote-17) for institutions subject to the supervisory authority of the agencies and for examiners about prudent appraisal and evaluation programs. The Guidelines clarify agencies’ expectations that appraisal and evaluation programs of institutions subject to their supervisory authority conduct real estate transactions in a safe and sound manner. The Guidelines also promote consistency in the application and enforcement of the agencies’ appraisal regulations.

FDIC has identified two ICs associated with the Guidelines that create PRA burdens for covered institutions. The two ICs (“IC 4” and “IC 5” in this Supporting Statement) pertain to recordkeeping related to maintaining policies and procedures and disclosures associated with the filing of complaints.

*IC 4: Ongoing Policies, Procedures, and Controls for Appraisals and Evaluations, (Voluntary).* This IC captures the ongoing recordkeeping activities of FDIC-supervised institutions associated with the policies, procedures, and controls for appraisals and evaluations that would have already been established by those institutions. FDIC assumes all FDIC-supervised institutions would undertake these ongoing recordkeeping activities in each year.[[17]](#footnote-18)

*IC 5: Complaints Regarding Unethical or Unlawful Appraiser Conduct (Voluntary).* IC 5 covers third-party disclosures by an FDIC-supervised institution that files a complaint with a state appraisal regulator because it suspects that a state certified or licensed appraiser failed to comply with the Uniform Standards of Professional Appraisal Practice (USPAP),[[18]](#footnote-19) applicable state laws, or engaged in unethical or unprofessional conduct.

***Estimated Number of Respondents and Responses per Respondent***

***A. Existing IC***

Potential respondents to IC 1 include all FDIC-supervised institutions that engage in real estate-related financial transactions, as defined in 12 CFR § 323.2(j).[[19]](#footnote-20) There are 2,936 FDIC-supervised institutions, of which 2,173 are considered “small” for purposes of the Regulatory Flexibility Act (RFA).[[20]](#footnote-21) For the purposes of estimating the burden associated with this ICR, FDIC assumes all FDIC-supervised institutions engage in real estate-related financial transactions. It therefore estimates 2,936 respondents to this IC.

To estimate the number of annual responses per respondent, FDIC uses the dollar volume, and where available, loan counts of real estate loans held by FDIC-supervised institutions to estimate the annual number of mortgages originated by each institution using the methodology described below.

*Estimation Methodology*

This subsection details the methodology used to estimate the annual responses per respondent. For each institution, information is gathered from the Call Report on the reported dollar value of 1-4 family residential construction loans, other construction and development loans, loans secured by farmland, open-end loans secured by 1-4 family residential properties, closed-end loans secured by 1-4 family residential properties, loans secured by multifamily (5 or more) residential properties, loans secured by owner-occupied nonfarm nonresidential properties, and loans secured by other nonfarm nonresidential properties. FDIC obtained this data from Call Report Schedule RC-C as of December 31 of each year.

In order to convert the reported dollar volume of real estate related loans held by FDIC-supervised institutions into loan counts (a more appropriate denomination for estimating appraisal and evaluation activity), FDIC applies estimated or derived information on average loan size for each category of loan secured by real estate. It divides the reported dollar value of 1-4 family residential construction loans, and closed-end loans secured by 1-4 family residential properties, by the U.S. Census’s Bureau estimate of the average sales price of new homes in order to estimate the number of loans for these loan categories.[[21]](#footnote-22) FDIC assumes that the average loan size of open-end loans secured by 1-4 family residential properties is 20 percent of the U.S. Census Bureau’s estimate of the average sales price of new homes. FDIC uses this assumption for the average loan size of open-end loans secured by 1-4 family residential properties based on supervisory experience because the FDIC does not currently have access to information that would enable a more empirical estimate. FDIC divides the reported dollar value of other construction and land development loans, and loans secured by multifamily (5 or more) residential properties, by the assumed average loan size of $1 million in order to estimate the number of loans for these loan categories. FDIC uses an assumption of $1 million for the average loan size based on supervisory experience because the FDIC does not currently have access to information that would enable a more empirical estimate. Finally, FDIC uses a statistical method to estimate the average loan size for loans secured by farmland and loans secured by owner-occupied and non-owner-occupied nonfarm nonresidential properties. Call Report Schedule RC-C Part II contains information on the dollar volume and number of loans of these loan types for loans above and below specific dollar-value thresholds ($100,000 and less, $100,000 to $250,000, and $250,000 to $1 million for loans secured by nonfarm nonresidential properties, and $100,000 and less, $100,000 to $250,000, and $250,000 to $500,000 for loans secured by farmland). FDIC assumes that the dollar value of loans secured by farmland and nonfarm nonresidential properties held by FDIC-supervised institutions is normally distributed, and thereby estimates the average loan size for each of these loan types as of December 31 of each year by dividing the reported dollar volume of these loans by the reported number of loans corresponding to the same loan type. For example, as of December 31, 2022 this methodology produces an estimate of $639,861 as the average loan size of loans secured by farmland, and $1,073,170 as the average loan size of loans secured by nonfarm nonresidential properties.[[22]](#footnote-23)

FDIC estimates the number of new loans for each FDIC-supervised institution by assuming that any positive change in the preceding 12-month period in the reported dollar value of a real estate related loan type represents new lending activity. The change in the 12-month dollar value of loans held of each real estate loan type for each FDIC-supervised institution, if positive, is divided by the estimated average loan size for that loan type in order to produce an estimate of the number of new loans issued by each FDIC-supervised institution. However, if the 12-month change in the reported dollar value of a loan type is zero or negative, FDIC assumes that the number of new loans is zero.

FDIC estimates refinancing activity by assuming that a fixed percentage of the estimated count of existing real estate loans of each loan type is representative of those loans in the portfolio that were refinanced in the preceding 12-month period. For each institution, and each real estate-related loan type, FDIC subtracts the estimated value of new loans from the reported dollar volume of loans as of each 12-month period end-date, divides that figure by the applicable estimate of average loan size, and multiplies that figure by 15 percent to derive an estimate of the number of existing loans that were refinanced in the preceding 12-month period. The 15 percent estimate is based on supervisory experience since the FDIC does not currently have access to information that would enable a more empirical estimate.

FDIC also estimates the number of appraisals and evaluations commissioned by FDIC-supervised institutions over the previous 12-month period in order to monitor their real estate loan portfolios for credit risk. FDIC assumes that three percent of the estimated loan count for existing loans secured by farmland, five percent of the estimated loan count for existing 1-4 family residential construction loans, eight percent of the estimated number of existing closed-end loans secured by 1-4 family residential properties, loans secured by multifamily (5 or more) residential properties, and loans secured by owner-occupied nonfarm nonresidential properties, and ten percent of the estimated number of existing other construction and development loans, open-end loans secured by 1-4 family residential properties, and loans secured by non-owner-occupied nonfarm nonresidential properties is representative of the number of loans for which the institution commissioned an appraisal or evaluation in the preceding 12-month period. These estimates are based on supervisory experience since the FDIC does not currently have access to information that would enable a more empirical estimate.

To calculate the total estimated volume of appraisals and evaluations associated with a real estate loan for which an FDIC-supervised institution would be required to comply with the applicable recordkeeping requirements of Part 323, FDIC sums the estimated count of new loans, existing loans that were refinanced, and loans for which the bank commissioned an appraisal or an evaluation over the preceding 12-month period and assumes that all of these loans would require an appraisal or evaluation. Using this methodology, FDIC estimates 259 annual responses per respondent for IC 1, a frequency I characterized as “on occasion” in Table 1 below. This figure is obtained by dividing the estimated five-year average annual number of appraisals and evaluations (2018-2022 average) (760,384) by the reported number of FDIC-supervised institutions (3,038) in the December 31, 2022 Call Report.[[23]](#footnote-24)

***B. ICs Associated with the Final Rule***

As mentioned previously, the FDIC supervised 2,936 institutions (FDIC-supervised institutions) as of December 31, 2022. Of these, 2,976 reported positive balances of loans secured by 1-4 family residential real estate, suggesting they are active in residential real estate lending -- the focus of the NPR. Therefore, the estimated number of FDIC-supervised institutions potentially subject to the final rule is 2,976. Of these, 2,284 IDIs are considered small entities for purposes of the Regulatory Flexibility Act.[[24]](#footnote-25) However, for PRA burden estimate purposes, only a subset of the 2,976 institutions is likely to use AVMs and thus would be required to respond to PRA requirements.

FDIC assumes that a small share of FDIC-supervised institutions use AVMs. However, the FDIC lacks data on the number of institutions that use AVMs for the purposes covered by the NPR. As a proxy, FDIC uses an internal Federal Reserve analysis based on Y-14M data for large banks that estimates that approximately 35 percent of the institutions active in residential real estate lending used an AVM in those transactions in 2021 and 2022.[[25]](#footnote-26) FDIC believes the assumption that 35 percent of FDIC-supervised institutions use AVMs is conservative, because FDIC-supervised institutions are generally smaller than those represented in the Y-14M data, and it believes that AVM use is strongly positively correlated with institution size. Applying this 35 percent AVM use rate to the count of 2,976 entities potentially subject to the NPR yields an estimated 1,010 annual respondents for both IC 2 and IC 3.

This Supporting Statement covers PRA requirements over a three year period; therefore, FDIC annualizes the implementation burden associated with IC 2, which would be incurred by all covered IDIs only in the first year in which respondents are subject to the requirements in proposed 12 CFR § 323.17. This annualization is implemented through the time per response figure for IC 2. For purposes of this ICR, FDIC assumes that all 1,010 estimated respondents would generate one response per year to each of the two ICs associated with recordkeeping for policies and procedures under the final rule.[[26]](#footnote-27)

***C. ICs Associated with the Guidelines***

All 2,936 FDIC-supervised institutions are potentially subject to the Guidelines. Therefore, FDIC estimates 2,936 annual respondents to IC 4 and IC 5. Of these, 2,173 are considered to be small under the RFA (footnote 24 above outlines the definition of small institutions).

IC 4 covers ongoing review and maintenance of policies and procedures associated with the Guidelines. FDIC expects all FDIC-supervised institutions to provide one annual response to IC 4.

IC 5 represents third-party disclosure by institutions filing a complaint to their state regulators regarding the practices of a particular appraiser or appraisal firm. FDIC has not been able to find historical data on the number of applicable complaints filed by covered IDIs. Based on supervisory experience, FDIC estimates that, on average, each institution files one response per year. Therefore, it estimates one response per respondent annually.

***Estimated Time per Response***

***A. Existing IC***

FDIC believes that 5 minutes is a reasonable estimate of the time needed to complete the recordkeeping requirement associated with IC 1. [[27]](#footnote-28) This time per response estimate is unchanged from the 2024 ICR.

***B. ICs Associated with the Final Rule***

The FDIC lacks data on the amount of time needed for respondents to implement initial recordkeeping requirements (IC 2) and to conduct the ongoing review and maintenance of their records (IC 3) associated with the final rule. The FDIC estimates based on supervisory experience that, on average, respondents spend 40 hours in year 1 to implement IC 2, and thereafter, 5 hours per year on IC 3. FDIC annualizes its burden calculation for IC 2 in order to arrive at annual burden estimates that sum up to the total burden incurred by respondents across all three years. FDIC annualizes the burden by dividing the 40 hour per response burden by 3 years to yield 13.33 hours per yearly response on average over 3 years. This approach is consistent with OMB guidance.

***C. ICs Associated with the 2010 Interagency Guidelines***

The FDIC does not have access to reliable data on the time required for institutions to review and maintain their records on policies and procedures recommended by the Guidelines (IC 4). Based on supervisory experience, the FDIC estimates that IDIs require 10 hours annually on average to conduct these ongoing recordkeeping activities.

Likewise, the FDIC lacks data on the annual time spent by institutions on average for disclosures related to submitting complaints about appraisers or appraisal management companies (IC 5). Based on supervisory experience, the FDIC estimates that respondents spend 5 hours per response for such disclosures.[[28]](#footnote-29)

FDIC multiplies the estimated annual number of respondents, the estimated annual number of responses per respondent, and the estimated time per response for each IC line item to generate an estimate of annual burden hours, as shown in Table 1.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **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 per Respondent | Time per Response  (Hours) | Annual Burden (Hours) |
| (Original) Recordkeeping Requirements Associated with Real Estate Appraisals and Evaluations  (12 CFR 323) | Recordkeeping (Mandatory) | On occasion | 2,936 | 259 | 0.083 | 63,115 |
| (New) Final Rule – Policies and Procedures - Implementation (12 CFR 323.17) | Recordkeeping (Mandatory) | Annual | 1,010 | .33 | 40 | 13,320 |
| (New) – Final Rule –Policies and Procedures – Ongoing  (12 CFR 323.17) | Recordkeeping (Mandatory) | Annual | 1,010 | 1 | 5 | 5,050 |
| (New) – Guidelines – Policies and Procedures – Ongoing  (Guidelines secs. IV, XV D) | Recordkeeping (Voluntary) | Annual | 2,936 | 1 | 10 | 29,360 |
| (New) – Guidelines - Disclosure – Ongoing  (Guidelines, sec. XVIII) | Disclosure (Voluntary) | Annual | 2,936 | 1 | 5 | 14,680 |
| New – ROV Guidance – Policies and Procedures - Implementation | Recordkeeping (Voluntary) | Annual | 2,887 | .33 | 40 | 38,120 |
| New – ROV Guidance – Policies and Procedures – Ongoing | Recordkeeping (Voluntary) | Annual | 2,887 | 1 | 2 | 5,774 |
| Total Annual Burden Hours: | | | | | | 169,419 |
| Source: FDIC. | | | | | | |
| |  | | --- | | Note: The annual burden estimate for a given collection is calculated in two steps. First, the total number of annual responses is calculated as the whole number closest to the product of the annual number of respondents and the annual number of responses per respondent. Then, the total number of annual responses is multiplied by the time per response and rounded to the nearest hour to obtain the estimated annual burden for that collection. This rounding ensures the annual burden hours in the table are consistent with the values recorded in the OMB’s regulatory tracking system (ROCIS).  Note: FDIC annualizes IC 2 by dividing the 40 hour per response burden by 3 years to yield 13.33 hours per yearly response on average over 3 years. This is the approach used by the other agencies in the interagency AVM rulemaking process. | | | | | | | | | | | |

***Labor Allocation and Hourly Compensation***

***A. Original IC***

In the 2024 ICR, the estimated annual cost associated with IC 1 was $2,315,264. The estimate was obtained by multiplying the estimated annual burden hours by the estimated weighted hourly compensation rate for the mix of occupations expected to be used to comply with the IC, derived from the Bureau of Labor Statistics’ data on the Depository Credit Intermediation sector.[[29]](#footnote-30)

In the current analysis, the FDIC has revised the estimated allocation of labor for this IC. It assumes that all the labor associated with completing and submitting this IC would be performed by financial analysts. Based on BLS data, FDIC estimates the total hourly compensation rate for financial analyst occupations is $101.15.[[30]](#footnote-31) The hourly cost estimate for this IC is therefore $101.15.

***B. ICs Associated with the final rule***

The estimated division of labor that would be employed by FDIC-supervised institutions to execute their PRA recordkeeping requirements for IC 2 and IC 3 are delineated in Table 2 below. For both ICs, financial analysts and compliance officers provide the majority of labor hours. Additionally, FDIC believes that the first year implementation (IC 2) of recordkeeping requirements would involve a greater share of labor hours devoted to legal advice and review relative to IC 3, as the institutions initially establish and validate their recordkeeping systems. In subsequent years (IC 3), the FDIC believes the IDIs would use less legal input and more financial analysis, as shown in Table 2.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Table 2. Summary of Hourly Burden Cost Estimate (OMB No. 3064-0103) | | | | | | | | |
| Information Collection | Hourly Weight  (%) | Percentage Shares of Hours Spent by and  Hourly Compensation Rates for each Occupation Group  (by Collection) | | | | | | Estimated Hourly Compensation Rate |
|
| Exec. & Mgr. ($133.82) | Lawyer ($165.76) | Compl. Ofc. ($64.61) | IT ($102.64) | Fin. Anlst. ($101.15) | Clerical ($37.83) |
|
| 1. (Original) Recordkeeping Requirements Associated with Real Estate Appraisals and Evaluations | 49.36 | 0 | 0 | 0 | 0 | 100 | 0 | $101.15 |
| 2. (New) NPR – Policies and Procedures - Implementation | 10.88 | 5 | 15 | 40 | 0 | 40 | 0 | $97.86 |
| 3. (New) NPR – Policies and Procedures – Ongoing | 4.08 | 5 | 5 | 40 | 0 | 50 | 0 | $91.40 |
| 4. (New) –Guidelines – Policies and Procedures – Ongoing | 23.79 | 5 | 5 | 40 | 0 | 50 | 0 | $91.40 |
| 5. (New) –Guidelines - Disclosure – Ongoing | 11.89 | 0 | 0 | 0 | 0 | 100 | 0 | $101.15 |
| ***Weighted Average Hourly Compensation Rate:*** | | | | | | | | ***$98.07*** |
| Source: Bureau of Labor Statistics: 'National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)' (May 2021), Employer Cost of Employee Compensation (March 2021), and Employment Cost Index (March 2021 and December 2022). Standard Occupational Classification (SOC) Codes: Exec. And Mgr = 11-0000 Management Occupations; Lawyer = 23-0000 Legal Occupations; Compl. Ofc. = 13-1040 Compliance Officers; IT = 15-0000 Computer and Mathematical Occupations; Fin. Anlst. = 13-2051 Financial and Investment Analysts; Clerical = 43-0000 Office and Administrative Support Occupations. | | | | | | | | |
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| Note: The estimated hourly compensation rate for a given collection is the average of the hourly compensation rates for the occupations used to comply with that collection, weighted by the share of hours spent by each occupation. The weighted average hourly compensation rate is the average of the estimated hourly compensation rates for all information collections, weighted by the share of hourly burden for each collection. These hourly weights, calculated as the estimated number of annual burden hours in a given collection over the total estimated number of annual burden hours across all collections, are shown in the “Hourly Weight” column of this table. | | | | | | | | |
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***C. ICs Associated with the 2010 Interagency Guidelines***

The FDIC assumes recordkeeping activities for policies and procedures under IC 4 to be similar to those conducted under IC 3, as both tasks relate to ongoing review and maintenance of previously established policies and procedures addressing closely related subjects. Thus, it reasons that the allocation of labor hours across professions would approximately mirror that of IC 3, as shown in Table 2.

As described above, IC 5 involves third-party disclosure when an institution files a complaint with its state appraiser regulators when it suspects that a state certified or licensed appraiser failed to comply with USPAP, applicable state laws, or engaged in unethical or unprofessional conduct. The FDIC lacks data on the expected allocation of labor used by FDIC-supervised institutions for this activity. Based on supervisory experience, the FDIC estimates such disclosure would be conducted entirely by financial analysts.

**Total Estimated Labor Cost Burden**

FDIC estimates the annual labor costs to respondents of the IC for the existing real estate appraisals and evaluations regulation, the ICs for the NPR, and the ICs for the Guidelines by multiplying the total annual estimated burden hours reported in Table 1 by the weighted average hourly compensation rate in Table 2. As shown in Table 3, the estimated annual cost for each of the three years after the effective date of the NPR would be $12,524,422.[[31]](#footnote-32)

|  |  |  |  |
| --- | --- | --- | --- |
| Table 3. Total Estimated Cost Burden (OMB No. 3064-0103) | | | |
| Information Collection Request | Annual Burden (Hours) | Weighted Average Hourly Compensation Rate | Annual Respondent Cost |
| OMB No. 3064-0103 | 127,709 | $98.07 | 12,524,422 |
| ***Total Annual Respondent Cost:*** | | | ***$12,524,422*** |
| Source: FDIC. | | | |

13. Estimate of start-up cost to respondents:

None.

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

See discussion in Section 12 above.

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

No publication is made of this collection of information.

1. Exceptions to Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.

1. 12 U.S.C. 3331 *et seq.* [↑](#footnote-ref-2)
2. Pub. L. 111-203, 124 Stat. 1376, 2198 (2010), *codified at* 12 U.S.C. 3354. [↑](#footnote-ref-3)
3. See *Interagency Appraisal and Evaluation Guidelines*, 75 FR 77450. [↑](#footnote-ref-4)
4. *See,* 89 FR 64538 (August 7, 2024, at 64562. [↑](#footnote-ref-5)
5. NPR *Quality Control Standards for Automated Valuation Models* in 88 FR 40638, June 21, 2023. FDIC RIN 3064-AE68. [↑](#footnote-ref-6)
6. 75 FR 77450, December 10, 2010. [↑](#footnote-ref-7)
7. 12 CFR Part 323 [↑](#footnote-ref-8)
8. As defined in 12 CFR § 323.2(g), “federally related transaction” includes any real estate related financial transaction that the FDIC or any regulated institution engages in or contracts for and that requires the services of an appraiser. [↑](#footnote-ref-9)
9. 12 U.S.C. 3331 *et seq.* [↑](#footnote-ref-10)
10. See 83 FR 15019 at 15034 [↑](#footnote-ref-11)
11. Pub. L. 111-203, 124 Stat. 1376, 2198 (2010), *codified at* 12 U.S.C. 3354. [↑](#footnote-ref-12)
12. These mortgage originators and secondary market issuers that would be subject to the requirements described in the NPR are called “covered institutions” or “covered insured depository institutions” in this Supporting Statement. [↑](#footnote-ref-13)
13. The NPR would define “covered securitization determination” to include determinations regarding, among other things, whether to waive an appraisal requirement for a mortgage origination (appraisal waiver decisions). Under the NPR, a secondary market issuer that uses AVMs in connection with making appraisal waiver decisions would be required to have policies, practices, procedures, and control systems in placeto ensure that the AVM supporting those appraisal waiver decisions adheres to the rule’s quality control standards. [↑](#footnote-ref-14)
14. As proposed in 12 CFR 323.17 [↑](#footnote-ref-15)
15. The Guidelines were issued jointly by the FDIC, the FRB, the OCC, the Office of Thrift Supervision (OTS), and the NCUA and took effect on 12/10/2010. See 75 FR 77450. [↑](#footnote-ref-16)
16. The FDIC’s primary appraisal regulation is 12 CFR 323. [↑](#footnote-ref-17)
17. FDIC assumes that all FDIC-supervised IDIs have already conducted their initial implementation activities. [↑](#footnote-ref-18)
18. USPAP is the set of generally recognized ethical and performance standards for the appraisal profession in the United States. It was adopted by Congress in 1989, and includes standards for many types of appraisal services. Compliance is mandatory for state-licensed and state-certified appraisers involved with federally related real estate transactions. Source: The Appraisal Foundation. <https://www.appraisalfoundation.org/> [↑](#footnote-ref-19)
19. 12 CFR § 323.2(j) defines “real estate-related financial transaction” as any transaction involving: (1) The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or (2) The refinancing of real property or interests in real property; or (3) The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities. [↑](#footnote-ref-20)
20. FDIC Call Report data, December 2022. The SBA defines a small banking organization as having $850 million or less in assets, where an organization's ''assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year.'' See 13 CFR 121.201 (as amended by 87 FR 69118, effective December 19, 2022). In its determination, the ''SBA counts the receipts, employees, or other measure of size of the concern whose size is at issue and all of its domestic and foreign affiliates.'' See 13 CFR 121.103. Following these regulations, the FDIC uses an insured depository institution's affiliated and acquired assets, averaged over the preceding four quarters, to determine whether the insured depository institution is ''small'' for the purposes of RFA.​ [↑](#footnote-ref-21)
21. *See* U.S. Census Bureau, “Median and Average Sale Price of Houses Sold.” Available at https://www.census.gov/construction/nrs/historical\_data/index.html [↑](#footnote-ref-22)
22. The estimates of average loan size for each loan category can be found in the file “Final Updated Appraisal Threshold Burden Estimate v041423.xlsx” under the 2023 folder for this ICR on the RAS SharePoint site. For reference by RAS staff in future ICR renewals, the file is available internally at [Final Updated Appraisal Threshold Burden Estimate v041423.xlsx](https://fdicgov.sharepoint.com/:x:/r/sites/DIR/OCE/RAS/Documents/04%20Information%20Collections/30640103%20-%20Recordkeeping%20for%20Real%20Estate%20Appraisals%20and%20Evaluations/2023/Final%20Updated%20Appraisal%20Threshold%20Burden%20Estimate%20v041423.xlsx?d=w9d1da6b18d7f4f899edf06a518a0b5ce&csf=1&web=1&e=fi6IPl). [↑](#footnote-ref-23)
23. 760,384 / 3,038 = 250. [↑](#footnote-ref-24)
24. Footnote 24 describes how the FDIC determines and counts institutions that are considered to be ''small'' for the purposes of the RFA. [↑](#footnote-ref-25)
25. This is the only empirical estimate of AVM use rates by financial institutions I am aware of. [↑](#footnote-ref-26)
26. The annualization process essentially spreads the response time that occurs in a single year (for IC 2) evenly across the three year PRA period. As shown in Table 1, this results in the entry of 1,042 annual respondents, 1 annual response per respondent, and time per response of 40/3 hours over each of the three years. Since FDIC applies the annualization through the average time per response, the value of that variable (40) is divided by three to yield 13.33 in each year. This annualization approach is consistent with OMB guidance. [↑](#footnote-ref-27)
27. FDIC uses 0.083 hours in the burden calculation to be consistent with the approach used by the other agencies that are jointly issuing the NPR with the FDIC. [↑](#footnote-ref-28)
28. This estimated time per response is consistent with the time per response estimated by other the other agencies issuing the Final Rule. [↑](#footnote-ref-29)
29. The actual estimated annual burden hours was 60,800, which when multiplied by the hourly labor compensation rate ($38.08), yields the estimated annual cost. However, for purposes of comparison, throughout this Supporting Statement FDIC uses the OMB-approved burden hour estimate of 61,044. The 2021 estimated allocation of labor hours was 90 percent clerical staff, 5 percent IT specialists, and 5 percent compliance officers. [↑](#footnote-ref-30)
30. The estimate is derived from the May 2021 75th percentile hourly wage rate for Financial Analysts ($61.02) reported by the Bureau of Labor Statistics (BLS), National Industry-Specific Occupational Employment, and Wage Estimates. The wage rate has been adjusted for changes in the BLS Employment Cost Index Historical Listing between Q1 2021 and Q4 2022 (9.9 percent) and grossed up by 51 percent to account for non-monetary compensation as reported by the March 2021 BLS Employer Costs for Employee Compensation data (33.7 percent of wages). [↑](#footnote-ref-31)
31. 127,709 hours per year at $98.07 per hour = $12,524,422. [↑](#footnote-ref-32)