



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION  
AND REGULATION

**SR 17-10**

**October 17, 2017**

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE BANK  
AND TO EACH FINANCIAL INSTITUTION SUPERVISED BY THE FEDERAL  
RESERVE**

**SUBJECT: Temporary Exceptions to the Financial Institutions Reform, Recovery, and  
Enforcement Act of 1989 (FIRREA) Appraisal Requirements in Areas Affected by Severe  
Storms and Flooding Related to Hurricanes Harvey, Irma, and Maria**

**Applicability:** This guidance applies to state member banks and bank holding companies and their nonbank subsidiaries, including those with \$10 billion or less in consolidated assets that finance transactions secured by real property located in the affected areas.

The Federal Reserve and the other federal financial institutions regulatory agencies<sup>1</sup> have granted exceptions to their appraisal regulations<sup>2</sup> to regulated financial institutions regarding their financing of real estate secured transactions in counties and territories declared major disaster areas due to storms and flooding caused by Hurricanes Harvey, Irma, and Maria.<sup>3</sup> The exceptions are expected to reduce loan processing times and therefore may assist institutions in responding to the financial needs of borrowers affected by the disasters.<sup>4</sup> See the attached *Federal Register* notice.<sup>5</sup>

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<sup>1</sup> The other federal financial institutions regulatory agencies are the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation; and the National Credit Union Administration.

<sup>2</sup> Refer to 12 CFR 208 subpart E and 12 CFR 225 subpart G.

<sup>3</sup> See the major disaster declarations on the Federal Emergency Management Agency (FEMA) website: Hurricane Harvey at <https://www.fema.gov/disaster/4332>; Hurricane Irma at <https://www.fema.gov/disaster/4335>; and Hurricane Maria at <https://www.fema.gov/disaster/4340>.

<sup>4</sup> Refer to SR letter 13-6/CA letter 13-3, "Supervisory Practices Regarding Banking Organizations and their Borrowers and Other Customers Affected by a Major Disaster or Emergency."

<sup>5</sup> This action is being taken pursuant to the federal financial institutions regulatory agencies' authority under the Depository Institutions Disaster Relief Act (DIDRA) of 1992 to grant exceptions to 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 an exception would both facilitate recovery in the disaster area and be consistent with safety and soundness.

Whether or not an institution elects to take advantage of the exceptions is a business decision that may be determined by the institution on a case-by-case basis. When an institution decides to rely on an exception for a particular transaction, the institution must maintain sufficient documentation in the loan file to estimate the collateral's value and support the credit decision. For example, sufficient documentation in a disaster area may include an insurance adjustor's estimate of the collateral's value. Institutions should continue to extend credit for real estate-related financial transactions on terms that are consistent with safe and sound banking practices. The exceptions expire three years from the date of the disaster declaration for each area.

Federal Reserve Banks are asked to distribute this letter to the financial institutions in their Districts, as well as to supervisory and examination staff. For questions related to this guidance, please contact the following staff in the Board's Risk Policy Section: Carmen Holly, Senior Supervisory Financial Analyst, at (202) 973-6122; or Peter Clifford, Manager, at (202) 785-6057. In addition, institutions may send questions via the Board's public website.<sup>6</sup>

Michael S. Gibson  
Director

**Attachment:**

- *Federal Register Notice: Temporary Exceptions to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) Appraisal Requirements in Areas Affected by Severe Storms and Flooding Related to Hurricanes Harvey, Irma, and Maria*

**Cross References:**

- SR letter 13-6/CA letter 13-3, "Supervisory Practices Regarding Banking Organizations and their Borrowers and Other Customers Affected by a Major Disaster or Emergency"
- SR letter 10-16, "Interagency Appraisal and Evaluation Guidelines"

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<sup>6</sup> See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.