



Regulatory Appraisal Issues

AARO Conference 2010



Presented by

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Policy & Program

Development

Agenda



- Broker Price Opinions (BPOs)
- Communication and Information Sharing
- Reviewing Appraisals and Evaluations
- Q&A

Broker Price Opinions (BPOs)



BPOs

**Cannot be used
to originate
new loans**

Broker Price Opinions (BPOs)



BPOs

- **Develop Appraisals or Evaluations**
- **Monitor Trends in Portfolio/Market**
- **Assist in Loan Modifications**

Communication/Information Sharing with Appraisers



Regulation Z and some requirements in the Home Valuation Code of Conduct (HVCC), which expires 10/31/2010, include:

- *Permitting the institution to ask the appraiser or person who prepared the evaluation to:*
 - Consider additional information about the subject property or comparable properties.
 - Provide additional supporting information about the basis for a valuation.
 - Correct factual errors in an appraisal or evaluation.

Communication/Information Sharing with Appraisers



•Ensuring the institution avoids inappropriate actions, including:

- Communicating a predetermined, expected, qualifying, owner's estimate of value, or a loan amount or a target LTV ratio.
- Specifying a minimum value requirement for a property or as a condition of ordering the valuation.
- Implying that current or future retention of a person's services depends on the amount of the valuation.
- Excluding a person from consideration for future engagements for failure to report a value for a property that does not meet or exceed a minimum threshold
- Failing to compensate a person who does not value a property at a certain amount.
- Conditioning compensation on loan consummation.

Appraisal/Evaluation Reviews



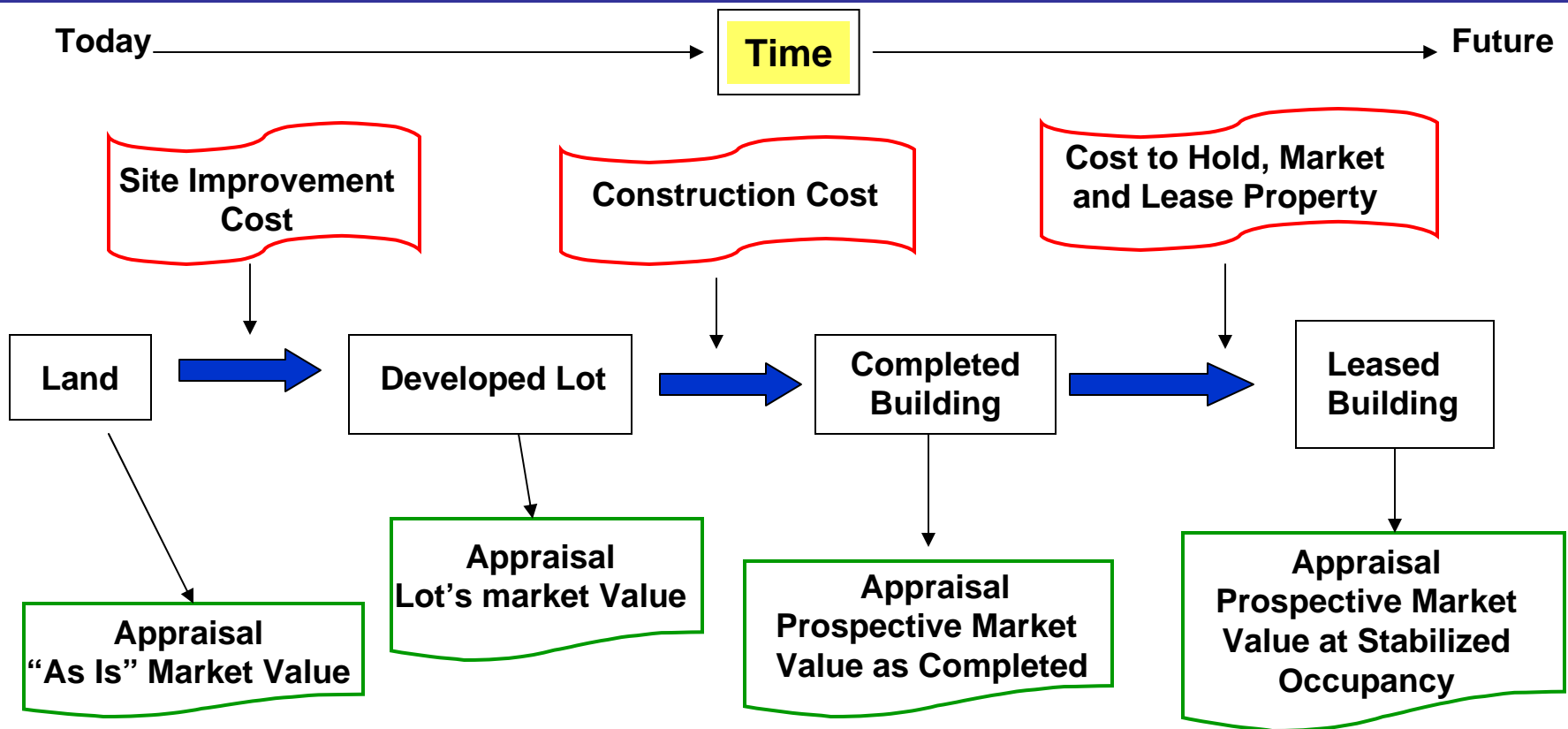
- *Appraisal regulations require institutions to obtain an appraisal or an appropriate evaluation of real property consistent with safe and sound banking practices*
- *Only way to ensure compliance is by conducting a review*
- *Review should ensure appraisal/evaluation contains sufficient information and analysis to support the decision to engage in the transaction*
- *Reviewers should meet appropriate qualification criteria*
- *Review appraisals from other financial services institutions to determine if they conform to regulations and are acceptable*

Appraisal/Evaluation Reviews



- *Use a risk-focused approach for determining the depth of the review*
- *Establish process to resolve deficiencies in appraisals/evaluations with appraiser or person who performed the evaluation*
- *Must replace appraisal/evaluation if deficiencies cannot be resolved*
- *Document review and resolution of noted deficiencies*
- *May use review findings to monitor performance of appraisers or persons who perform evaluations*

Match Appraisal to Purpose



Questions & Comments?



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