

PROPOSED APPRAISAL GUIDELINES

The National Credit Union Administration (NCUA) issued **proposed** Interagency Appraisal and Evaluation Guidelines that clarify risk management principles and internal controls for ensuring financial institutions' real estate collateral valuations (both appraisals and evaluations) are reliable and support their real estate-related transactions. The proposal was issued jointly by the Federal Reserve, the FDIC, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the NCUA.

The proposal replaces 1994 interagency guidance by incorporating recent supervisory issuance and reflecting changes in industry practice, uniform appraisal standards, and new technology. The new guidance applies to all real estate lending functions within a federally regulated institution, including commercial and residential lending departments, capital market groups, and asset securitization and sales units.

Revisions in the proposal address:

- Details on the agencies' expectations for an independent appraisal and evaluation function.
- Greater explanation of the agencies' minimum appraisal standards, including clarification of requirements for appraisals of residential tract developments.
- Revisions to the Uniform Standards of Professional Appraisal Practice, which are incorporated by reference in the agencies' appraisal regulations.
- Risk-focused appraisal and evaluation reviews separate and apart from an institution's compliance function.
- New appendices - Appendix A provides further clarification on real estate transactions that are exempt from the agencies' appraisal regulations; Appendix B addresses acceptable evaluation alternatives and use of automated valuation models; and Appendix C contains a new glossary of terms.

The comment period closed January 20, 2009. The Proposed Interagency Appraisal and Evaluation Guidelines as published before the close of the comment period are available at the Federal Register (Volume 73, Number 224, November 19, 2008) online at www.gpoaccess.gov/fr/.

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