

**FROM:** The First American Corporation

**TO:** NCUA

**SUBJECT:** Proposed Interagency Appraisal and Evaluation Guidelines

The First American Corporation welcomes the opportunity to comment on the Proposed Interagency Appraisal and Evaluation Guidelines (“Guidelines”). First American is the nation’s largest provider of business information, with a historical emphasis on real estate-related products and services. First American’s core customer base comprises many of the nation’s largest financial and lending institutions whose operations focus on real estate lending and valuation operations. As a long-time provider of appraisal and valuation services to the financial and lending industry, First American believes that the proposed Guidelines accomplish their stated purpose of reinforcing the importance of sound collateral valuation practices mandated by the Agencies’ appraisal regulations.

The Guidelines incorporate the foundational principles indispensable to sound valuation practices;

- i) Maintaining the independence of an institution’s appraisal and evaluation program from borrower or loan production staff influence;
- ii) Ensuring the competency of individuals who perform appraisals or evaluations; and
- iii) Establishing standards of developing and reporting appraisals and evaluations in conjunction with an institution’s collateral review function.

The Guidelines update and supersede the prior guidelines begun in 1994; however, since the core principles of the 1994 guidelines remain intact, the industry participants, as well as the general public, should maintain a high level of trust in the way valuations are performed and monitored. While there are other proposals both on the state and federal levels to assist in this process, First American’s opinion is that these Guidelines are sufficient to regulate the lending and valuation industries.

First American’s comment and evaluation of some of the major revisions to the 1994 Guidelines follows.

### **Independence of the Appraisal and Evaluation Program**

It is First American’s opinion that the appraisal management company (AMC) model offered through First American and other reputable companies fully supports the independence of the valuation process.

### **Minimum Standards**

The clarification and, in some cases, expansion of the five (5) appraisal standards in the Agencies’ appraisal regulations is instructive. While USPAP sets the minimum appraisal standards for federally related transactions, the proposed Guidelines provide clarification of those standards beyond those required by USPAP.

### **Appraisal Development and Appraisal Reports**

The revisions to these sections are in accord with the changes to USPAP implemented in July 2006, by the Appraisal Standards Board. These revisions bring the Guidelines up to date with current USPAP and appraisal practices.

### **Evaluation Content**

The Guidelines clearly delineate the instances where an evaluation of real property may be utilized in lieu of an appraisal. The information and analysis required for an evaluation is adequately detailed. Moreover, a new appendix provides a discussion of appropriate practices and controls regarding automated valuation models (AVMs) and tax assessment valuations.

### **Review of Appraisals and Evaluations**

This new section in the proposed Guidelines emphasizes the importance of an institution's review function to promote quality appraisals and evaluations. It emphasizes an increasingly comprehensive review of appraisals supporting transactions that pose higher credit risk.

### **First American Endorsement and Support**

First American supports the proposal that there should be no undue influence on an appraiser to provide an unsupported or unreasonable property valuation. For the reasons stated above, First American believes that when the proposed Guidelines are promulgated, they will have a positive effect on the appraisal and valuation industry while comitantly enhancing public confidence.