REVAA

Real Estate Valuation Advocacy Association

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January 16, 2009

Mr. Michael E. Fryzel
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

Re: Proposed Interagency Appraisal and Evaluation Guidelines

Dear Mr. Fryzel:

The Real Estate Valuation Advocacy Association ("REVAA") is providing this letter to the National Credit Union Administration in response to the Proposed Interagency Appraisal and Evaluation Guidelines recently released for comment by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration (collectively, the "Agencies"). REVAA is a nonprofit trade association that is dedicated to the maintenance and further development of high quality standards within the real estate valuation industry. Our membership consists of companies providing a wide array of real estate valuation products and services including (but not limited to) Appraisals, Broker Price Opinions (BPOs), and Automated Valuation Models (AVMs).

REVAA applauds the Agencies' efforts to clarify applicable regulations and to promote safe and sound real estate collateral valuation programs. We unequivocally endorse the Agencies as the appropriate parties to address these pressing issues, and fully support the adoption of updated standards to guide regulated institutions.

We note the Agencies' expectation that institutions maintain a robust review process to ensure that appraisals and evaluations adequately support their credit decisions. Likewise, as the value of real estate securing loans in an institution's portfolio becomes increasingly significant in the current economic climate, the additional guidance provided by the Proposed Guidelines on portfolio monitoring is crucial. Greater clarity on transactions that are exempted from the requirement for obtaining an appraisal is another valuable aspect of the Proposed Guidelines.

REVAA firmly believes that in order to fully accomplish the stated goals of the Proposed Guidelines, and to ensure that critical credit and risk management decisions are being made on the basis of the best available information, institutions must be able to choose from a wide variety of proven and reliable valuation tools as part of an effective Appraisal and Evaluation Program.

The Proposed Guidelines, as written, do a very good job of clarifying the situations in which institutions may obtain an evaluation in lieu of an appraisal, and provide helpful guidance in describing the risk-based characteristics that would determine whether a particular type of valuation tool would be an appropriate evaluation for a specific use. However, aside from AVMs, the Proposed Guidelines do not discuss the specific valuation tools that would be appropriate for consideration by institutions.

In particular, BPOs have an established track record in the industry and meet all described risk-based characteristics. They offer the advantages of low cost and quick turn-times, and have demonstrated over time their quality, reliability, efficiency and suitability for making important loan level decisions. The FDIC has recently recognized the importance of BPOs in its *Loss Sharing Proposal to Promote Affordable Loan Modifications*.

Unfortunately, under the current version of the Proposed Guidelines, regulated institutions would be left with some degree of uncertainty on the specific valuation tools (other than appraisals and AVMs) that the Agencies believe would be acceptable for use in their Appraisal and Evaluation Programs. This uncertainty is heightened by the fact that the use of AVMs, BPOs and other evaluation methods has been challenged (and largely left unresolved) in some states by state appraisal boards. If ever there was a time for consistent standards to allow institutions to access the resources and information necessary to make the most effective credit and risk management decisions possible, the time is now.

Congress, together with the Agencies, established a comprehensive regulatory framework to provide the standards that regulated institutions should follow by adopting Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the regulations issued there under (including the 1994 Interagency Guidelines). FIRREA also included provisions requiring that states establish appraisal boards responsible for qualifying, licensing and certifying appraisers pursuant to minimal standards. In essence, the existing regulatory scheme is premised on the fact that the Agencies are the appropriate parties to determine the categories of transactions requiring appraisals and the standards that should be applied to evaluations, while the state appraisal boards are responsible for supervising the appraisers that actually perform any required appraisals.

As an express intent of the Proposed Guidelines is to establish clear requirements for "prudent appraisal and evaluation policies, procedures, and practices," any obstacles to the accomplishment or execution of these enunciated goals should be addressed in a timely manner. This includes actions that prevent the free flow of information in the form of valuation tools needed by regulated institutions to make their risk-based portfolio and credit decisions pursuant to an effective Appraisal and Evaluation Program as mandated by the Proposed Guidelines.

In closing, REVAA supports the Proposed Interagency Appraisal and Evaluation Guidelines and the Agencies' role in providing additional clarity on the development of sound appraisal and evaluation standards. We strongly urge the Agencies to expand the Proposed Guidelines to include greater detail on the additional types of evaluations (such as BPOs) that would be appropriate for use by regulated institutions in their Appraisal and Evaluation Programs. We also ask the Agencies to consider clarifying their position on conflicting state regulations that impede the ability of regulated institutions to access the valuation tools needed to effectively comply with the stated goals and objectives of the Proposed Guidelines. Thank you for the opportunity to provide our comments.

Sincerely,

Michael Ramer
President, REVAA
Real Estate Valuation Advocacy Association