

**Date:** January 9, 2009

**To:** Office of the Comptroller of the Currency Docket ID OCC-2008-0021  
Federal Reserve System Docket No. OP-1338  
Federal Deposit Insurance Corporation  
Department of the Treasury  
Office of Thrift Supervision Docket ID OTS-2008-0012  
National Credit Union Administration RIN 3133-AD38

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**Subject:** Proposed Interagency Appraisal and Evaluation Guidelines Comments

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***General***

FIRREA requires the prescription of standards for the performance of real estate appraisals; however the proposed guidelines reflect a permissive standard negating the requisite performance by the regulated institutions. Current events have exposed the reality that regulated institutions are not inclined to or are incapable of strict accountability to pursue prudent policies that would tend to identify and mitigate risk. Therefore it is prudent that the tenure of the proposed guidelines be worded as to make the control elements binding requirements that are subject to verification at audit.

***Selection of Persons Who May Perform Appraisals and Evaluations***

The employment of an agent to carry out the duties of the regulated institution in ordering an appraisal that is in compliance with the requirements of the proposed guidelines is a daunting task. The ordering agent must insure that the appraiser assigned has the appropriate education, experience, geographic competence, and certification level for each assignment. The agent must be capable of transmitting a scope of work that can support a credit decision by the principal and be in a position to engage in a discussion of the scope of work with the appraiser in the development of the statement of work. It should be noted that licence or certification level of appraisers are the minimum requirements for competency; each valuation assignment has the potential to exceed the competence of an appraiser if the agent does not make each selection based on the appropriate education, experience, and geographic competence of the selected appraiser.

In using an agent the regulated institution must have provisions to insure compliance with the guidelines for appraiser selection by a supervisory audit of the agent insuring that the policies and actions of that agent are in compliance with the guidelines. The adage that one can delegate authority but not responsibility must be in the forefront of any delegation to an agent.

***Qualifications of Persons Who Perform Evaluations***

Considering the lack of general confidence in our financial markets at this point in time it is incumbent upon regulators to insure that the collateral supporting a lending decision or a portfolio evaluation be subject to a valuation analysis by professionals who hold the credentials to perform that analysis in such a manor as to provide the equity market with the confidence that mortgage products are supported by adequately valued collateral.

Licensed and Certified Appraisers have the general business and specific real property education needed in the valuation process. They are subject to testing at the appropriate certification level to insure a minimum acceptable technical competence and they are subject to professional liability in the form of regulatory sanctions in the event of a non-compliance with acceptable standards.

Considering the value of real property, commercial or residential, it is only prudent to maintain a high standard in the selection of the persons performing the valuations. The cost of a professional appraisal is insignificant when compared to the loss from an amateur collateral valuation.

***Automated Valuation Models (AVM)***

The various algorithms that are currently in use for valuation modelling are complex and require a very specialized individual to understand not only the underlying mathematical underpinnings of the model but must also be an understanding the working of the diverse universe of products within the population under study. It is not rational that each regulated institution will find and retain personnel with these credentials to insure the proper use and the accuracy of an employed AVM.

Rather than discuss the details of the AVM in its role as a valuation tool for real property I would suggest that the topic be viewed at a more pragmatic level. If market participants, buyers and sellers, do not use AVM's to set the offer or acceptance price of real estate how can we accept an AVM as a reasonable substitute for the hypothetical buyer in determining market value. The human physiology of buyers and sellers as well as the uniqueness of each parcel of real property along with the other elements that create a classic imperfect market make the use of an AVM in developing an estimate of market value less than a prudent decision in today's economic climate.

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