



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-82-2010
December 2, 2010

INTERAGENCY GUIDANCE

Appraisal and Evaluation Guidelines

Summary: The federal financial regulatory agencies are issuing the attached *Interagency Appraisal and Evaluation Guidelines* (Guidelines) to update and replace existing supervisory guidance to reflect changes in appraisal and evaluation practices. The Guidelines build on longstanding, prudent standards for valuing real property. The Guidelines clarify that an analytical method or technological tool, such as an automated valuation model, cannot be substituted for an appraisal when the transaction requires an appraisal. Further, the Guidelines enhance the requirements for collateral valuation methods for transactions that permit the use of an evaluation.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Lending Officer
Chief Financial Officer

Related Topics:

Part 323 of the FDIC Rules and Regulations

Frequently Asked Questions on Residential Tract Development Lending, FIL-90-2005

Credit Risk Management Guidance for Home Equity Lending, FIL-45-2005

Frequently Asked Questions on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions, FIL-90-2005

Attachment:

Interagency Appraisal and Evaluation Guidelines

Contacts:

Beverlea S. Gardner, Senior Examination Specialist, at BGardner@FDIC.gov or (202) 898-3640

Note:

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2010/index.html.

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Highlights: The Guidelines, including the appendices:

- recognize that while borrowers' ability to repay real estate loans according to reasonable terms remains the primary consideration in a lending decision, sound collateral valuation practices are an integral part of the loan underwriting process.
- update and replace existing supervisory guidance to reflect developments regarding appraisals and evaluations as well as changes in appraisal standards and advancements in regulated institutions' collateral valuation methods.
- clarify that collateral valuation methods that use an analytical method or technological tool, such as an automated valuation model, cannot be substituted for an appraisal when the transaction requires an appraisal.
- enhance the requirements for collateral valuation methods for transactions that permit the use of an evaluation and specify that valuation methods that do not provide a property's market value, such as a broker price opinion, are not acceptable as an evaluation.
- instruct institutions to file a complaint with the appropriate state appraiser regulatory officials when they suspect that a state certified or licensed appraiser fails to comply with the Uniform Standards of Professional Appraisal Practices, applicable laws, or engages in other unethical or unprofessional conduct, and to file a suspicious activity report (SAR) with the Financial Crimes Enforcement Network when the suspicious activity meets the SAR filing criteria.
- supplement existing guidance and rescind the following:
 - *1994 Interagency Appraisal and Evaluation Guidelines*, FIL-74-94,
 - *Statement on Appraisal Standards*, FIL-20-2001,
 - *Interagency Statement on Independent Appraisal and Evaluation Functions*, FIL-84-2003, and
 - *2006 Revisions to Uniform Standards of Professional Appraisal Practice*, FIL-53-2006.