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Joint Release

Office of the Comptroller of the Currency  
Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of Thrift Supervision  
National Credit Union Administration

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For Immediate Release

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### **Agencies Seek Comment on Proposed Interagency Appraisal and Evaluation Guidelines**

The federal bank, thrift and credit union regulatory agencies today jointly issued for comment proposed Interagency Appraisal and Evaluation Guidelines that reaffirm supervisory expectations for sound real estate appraisal and evaluation practices. The proposed guidance builds on the existing federal regulatory framework to clarify risk management principles and internal controls for ensuring that financial institutions' real estate collateral valuations (both appraisals and evaluations) are reliable and support their real estate-related transactions. The initiative is intended to respond to heightened concerns over appraisals and credit quality.

The proposed guidance would replace the *1994 Interagency Appraisal and Evaluation Guidelines* to incorporate recent supervisory issuances and reflect changes in industry practice, uniform appraisal standards and available technologies. As with prior issuances, the proposed guidance would apply to all real estate lending functions within a federal financial institution, including commercial and residential lending departments, capital market groups, and asset securitization and sales units.

Volatility within certain real estate markets and associated credit risk underscore the importance of independent and reliable collateral valuations. In this regard, there is an expanded discussion of portfolio management techniques and circumstances under which an institution should update or replace a collateral valuation for an existing real estate transaction.

The proposed revisions address:

- Additional detail 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 agencies request comments on all aspects of the proposed guidance. Comments are due to the agencies sixty days after publication in the Federal Register, which is expected shortly. A copy of the Federal Register notice with the proposed guidance is attached.

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Attachment:

[Proposed Interagency Appraisal and Evaluation Guidelines - PDF](#) ([PDF Help](#))

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