



APPRAISER INDEPENDENCE

FIL-84-2003
October 28, 2003

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: Independent Appraisal and Evaluation Functions
Summary: *Federal financial regulatory agencies are issuing clarifying guidance about the independence of the collateral valuation process.*

The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) are jointly issuing the attached statement to address concerns identified during examinations about the independence of the collateral valuation process.

The statement, which applies to all real estate-related financial transactions originated or purchased by a bank or operating subsidiary for its own portfolio or as assets held for sale, does not impose new requirements on financial institutions. Rather, it clarifies and serves as a reminder of the existing standards for independence within the appraisal and real estate lending regulations and the 1994 *Interagency Appraisal and Evaluation Guidelines* (also attached). The statement emphasizes the need for independence in the selection of appraisers and in the review of appraisals. The guidance recognizes that in some small institutions, absolute lines of independence might not be achievable. In such cases, effective internal controls should be implemented to ensure that no single person has sole authority to render credit decisions involving loans on which he or she ordered or reviewed the appraisal or evaluation.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2003/index.html. To learn how to automatically receive FDIC Financial Institution Letters through e-mail, please visit <http://www.fdic.gov/news/news/announcements/index.html>.

For guidance on these and related matters, please contact your FDIC Regional or Area Office.

Michael J. Zamorski
Director

Attachments: [Independent Appraisal and Evaluation Functions](#) (2003)
[Interagency Appraisal and Evaluation Guidelines](#) (1994)

Distribution: FDIC-Supervised Banks (Commercial and Savings)