From: Muse, Gregory H.
Sent: Wednesday, November 26, 2008 11:00 AM
To: Comments
Subject: Proposed Interagency Appraisal and Evaluation Guidelines

To whom it may concern:

The following email was addressed to the Ombudsman with the understanding that it would be forwarded to the appropriate office for review. The writer has no expectation of confidentiality. The comments are relevant to the Proposed Interagency Appraisal and Evaluation Guidelines.

Sincerely,
Gregory H. Muse
FDIC Associate Ombudsman
703.562.6049

From: thorps4@aol.com [mailto:thorps4@aol.com]
Sent: Monday, November 24, 2008 5:19 PM
To: Muse, Gregory H.
Subject: So which problem are you going to address?

I am pasting two articles from the Appraisal Institute news letter dated November 20, 2008. These articles were listed "back to back"--the first one trying to encourage the FDIC to STOP allowing BPO's to be used as "appraisals" for loan modification files---if for no other reason than these value estimates do not meet any of your own appraisal guidelines. The very next article is discussing the request for "Interagency" comments in regard to the new appraisal guidelines for new loan originations.

Come on now, why do you need any guidelines on new loans if you are not requiring any guidelines on loan modification files. BPO's aren't appraisals, they are guesstimates on a form that sort of looks like an FNMA appraisal form which is completed by a real estate agent. So the new program, as far as I can understand, is to take properties in distress which have not been "seen" for some period of years, and document the actual property condition, which is the security for the loan, by sending a real estate agent out to do a drive by analysis to determine a value and then try to sell that modified loan with no "appraisal" in the secondary market. But meanwhile, we want to have strict control on all those new appraisals done for the new loans, we want to have our thumb on every aspect of how the appraisals are done, who does them, what procedures are followed, etc., etc. because we want to make absolutely certain these proper ties will be in compliance when we sell these loans in the market place. Are you kidding? I cant wait to hear the rational behind this logic.

I realize that NAR (National Assoc of Realtors) swings a lot of power in Washington DC, and that the poor little appraisal associations are virtually impotent next to NAR's lobbyists but you all are being duped by NAR. It took years for FNMA to disentangle NAR from the appraisal industry, and by allowing real estate agents to now be "approved" to provide BPO's, translate appraisals, you have opened the door to eliminate the appraisal industry in toto. Real estate agents are not appraisers, I know I am licensed as both and I know the competency difference.

I am waving the red flags now---there will be NO appraisers to use your new guidelines if there is not a way for appraisers to earn a living now----they will be forced to leave the profession to get a job to pay the bills. I am not exaggerating for effect...let me give you an example. In October 2008, the area referred to as "S. Calif" which really encompasses six counties---Los Angeles, Ventura, Orange, Riverside, San Diego, and San Bernardino-----the total number of loans closed, for any and all reasons, was 21,532. And, that figure is an INCREASE over October 2007, which was 12,913 loans closed for the same area. Considering the total number of appraisers in the entire State of Calif used to be around the 22,000 number, there would not have been enough=2 0loans closed to give every appraiser one appraisal to complete during October 2008. Since the average fee is about $375./appraisal there is no possible way to earn a living with these numbers.

BUT, during the same time period, October 2008, how many BPO's were being done by real estate agents who really want the asset manager to give them a listing on the property they are "appraising", gee not to mention conflict of interest there......well, to figure that out, how many foreclosures, preforeclosures, short sale values requested by asset managers, loan modifications, etc.etc. were done in October 2008 for the same geographic area....from the data available the monthly filings are about 40,000 per month, typically there are at least 3 BPO's done for one property--so the number of "appraisal" being done by real estate agents per month in the S. Calif area is about 120,000---5 times the number of actual appraisals being done by appraisers. Now, how many loan modification are there to be completed??? What ever the actual number, it will be NONE for appraisers, 100% for real estate agents.

Are you all aware it takes NO EXPERIENCE to get a real estate license in California? Yes, I said NO experience...we used to laugh that when the market goes up every housewife in S. Calif would get their real estate license. The only thing you need to get a real estate license is to take a couple of quasi-phony classes, and pass a test---and the test is not that difficult......that is it! & nbsp; To be licensed as an appraiser, minimally there is 2,000 hours required---2 years of working with a licensed appraiser before you can even apply to get an appraisal license.

And for the record, exactly what government agency decided to abandon all

FNMA's previous lending guidelines?
I hate to be lecturing the teacher here, but all these guidelines weren't created for expedience or convenience---they were created to standardize and format all procedures so every facet of the process was being prepared and submitted by competent parties to facilitate raising capital in the secondary market. One of the first things a potential investor does with a loan file is to look at the appraisal---they look at the pictures and the bottom line----so how interested do you think they will be in a pool of modified loans that have no appraisals in the files?

I am waving the red flags now, unless you remedy this situation quickly, the only appraisers you will have left are real estate agents. Personally, I have hung on as long as possible, and in another sixty days I too will have to start to work in another profession. Although I have worked as an appraiser for over thirty years, I wont go back, none of us will, too hard, too much uncertainty, etc. So I beg of you, if you want to have a real estate appraisal profession at all, please change the loan modification rule to require a full appraisal for each file on loan modification.

Thank you

Lynne Thorp

THIS IS SOMETHING YOU ALL COULD FIX TODAY

Appraiser Groups Call Upon FDIC to Abandon BPOs in Loss Sharing Proposal

In a November 19 letter, the Appraisal Institute strongly urged the Federal Deposit Ins urance Corporation to require the use of appraisals performed by licensed or certified appraisers as part of its program, *Loss Sharing Proposal to Promote Affordable Loan Modifications*. Currently, the program permits the use of broker's price opinions to ascertain loan-to-value ratios as part of the modification of "underwater loans" – loans where the value of the collateral is less than the loan amount – that are in default.

The Appraisal Institute was joined by the American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, and National Association of Independent Fee Appraisers in penning the letter.

While the letter supported the overall intent of the *Loss Sharing Proposal* – reducing the number of homes in foreclosure – the groups pointed out that use of a BPO for any purpose other than establishing a purchase or selling price of property is illegal in at least 24 states. Further, it was argued that FDIC regulations and guidance require the use of appraisals for loan modifications when there has been any material change in market conditions. Lastly, the groups mentioned that allowing the use of BPOs, which answer the question of price rather than value, was a significant step toward loosening valuation requirements at a time when the federal government should be ensuring that taxpayer "bailout" dollars are not exposed to unnecessary risk.

Further, since these are all troubled loans, many properties may have deferred maintenance. Because of this, the organizations believe the most prudent approach is for the FDIC to require an interior inspection appraisal. However, the groups also recognized that a complete appraisal report may not be the most appropriate valuation product in some circumstances, and suggested that USPAP gives appraisers the flexibility to modify their scope of work consistent with the needs of their clients. The20groups requested that the FDIC consider the use of other appraisal products such as limited appraisals and appraisal updates. The groups also pointed to the work being done to develop new appraisal tools that strike a balance between cost and efficiency and the risk associated with the transaction.

To view a copy of the FDIC's proposal visit www.fdic.gov/consumers/loans/loanmod/index.html. For the full letter, visit www.appraisalinstitute.org/newsadvocacy/letrs_tstimny.aspx#Comments.

For more information on the rest of the FDIC's Loss Sharing proposals, including a proposed $24 billion allocation, see story below.

ANO TABLE OF CONTENTS **BACK TO HOME PAGE**

Agencies Seek Comment on Proposed Interagency Appraisal and Evaluation Guidelines

On November 13, the federal bank, thrift and credit union regulatory agencies jointly issued proposed Interagency Appraisal and Evaluation Guidelines intended to reaffirm supervisory expectations for sound real estate appraisal and evaluation practices. The agencies have set aside a 60-day comment period, during which time industry groups will be able to provide their opinions on all aspects of the proposed guidance.

Building on the existing federal regulatory framework to clarify risk management principles and improve internal controls for financial institutions' real estate collateral valuations, the proposed guidance is designed to respond to growing concerns over appraisals and credit quality. As writte n, the new guidance would replace the *1994 Interagency Appraisal and Evaluation Guidelines* and 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.

Key points of the proposed guidance revisions include:

- 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 refere nce in the agencies' appraisal regulations
- Risk-focused appraisal and evaluation reviews separate and apart from an institution's compliance function

The Appraisal Institute's Government Relations Committee is reviewing the proposed guidelines and will develop a comment letter on behalf of the organization. Members are encouraged to convey concerns to the Government Relations Committee representatives in their Region so they can be considered in the Appraisal Institute's comment letter. Comments may also be submitted directly to the Appraisal Institute Washington office, at bgarber@appraisalinstitute.org.

The Interagency Appraisal and Evaluat ion Guidelines are available at www.fdic.gov/news/news/press/2008/pr08117a.pdf.

ANO TABLE OF CONTENTS BACK TO HOME PAGE