January 22, 2009

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C., 20551
RE: Docket No. OP-1338

Office of the Comptroller of the Currency
250 E Street S.W., Mail Stop 1-5
Washington, D.C. 20219
RE: Docket No. OCC-2008-0021

Regulation Comments, Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: ID OTS-2008-0012

Dear Sir or Madam:

The Independent Community Bankers of America [1] (ICBA) welcomes the opportunity to comment on the proposed Interagency Appraisal and Evaluation Guidelines. The Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Thrift Supervision, and National Credit Union Administration have issued for comment the proposed Guidelines in light of the increased importance of accurate appraisals.

The proposed Guidelines would supersede the 1994 Interagency Appraisal and Evaluation Guidelines, and reflect revisions to the Uniform Standards of Professional Appraisal Practice (USPAP) and the evolution of collateral valuation practices, such as the use of automated valuation models (AVMs).

The proposed Guidelines are intended to reinforce the importance of sound collateral valuation practices that the banking agencies' appraisal regulations mandate and further

[1] *The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.*

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing over 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

clarify their long standing expectations for an institution's appraisal and evaluation program, which are necessary to promote safe and sound real estate lending activity.

ICBA supports the proposed guidance and the clarifications it provides. Community bankers recognize the importance of accurate, independent appraisals which protect banks by ensuring that loans are well collateralized. The guidance provides more clarity about the regulators' expectations at a time when proper valuation of collateral has become so important to safety and soundness. The guidance is generally consistent with current practices of many community banks, though some will need to further document certain of their practices and procedures to comply with it.

Monitoring and Updating Valuations

The Guidelines emphasize the importance of sound portfolio monitoring principles that set forth criteria for when an institution should replace or update collateral valuations for existing real estate loans. They remind institutions that as the reliance on real estate becomes more important on an existing credit, there is a need for timely information to assess the value of the real estate collateral and the associated risk to the institution. The Guidelines point out that examiners have the right to require an institution to obtain an appraisal or evaluation when there are safety and soundness concerns on an existing real estate secured credit.

Recently, ICBA has received complaints from a number of community banks that examiners have been requiring new appraisals with unusual frequency, even given current weak market conditions, on loans that have performed and are expected to continue to perform. If the value of the collateral has declined, as it frequently has in the current real estate market, examiners are ordering write-downs even in performing loans, resulting in unnecessary loss recognition and reduction of capital. While it is important for bankers and those reviewing their loan portfolios to closely monitor and update valuations, new appraisals should be required only when truly needed and write-downs should not be ordered on performing loans.

Also, ICBA urges the banking regulators to ensure that examiners are fully trained in applying the Guidelines as we periodically hear of incidents where examiners may be overly aggressive in implementing current guidance, particularly regarding the monitoring and updating of valuations. The additional guidance contained in the proposal should clarify the expectations of the banking agencies for both bankers and their examiners.

We appreciate the opportunity to comment on the proposed guidance. If you wish to discuss our comments further, please contact the undersigned at 202-659-8111 or email at ann.grochala@icba.org.

Sincerely,

/s/

Ann M. Grochala
Vice President
Lending and Accounting Policy