

**From:** Commercial Property Consultants [mailto:cpc1@sbcglobal.net]  
**Sent:** Monday, January 19, 2009 3:23 PM  
**To:** Comments  
**Subject:** Proposed Interagency Appraisal and Evaluation Guidelines  
**Importance:** High

## Appraisal and Evaluation Guidelines Proposed Revisions - Comments

Loan officers that originate loans cannot be allowed to order and/or review appraisals. If a loan officer has a financial interest in closing the loan then the objectivity of the appraiser and appraised value can be/is compromised.

Clients of financial institutions seeking loans (borrowers) cannot request, endorse, or have any input into the selection or disqualification of a specific appraiser for a specific appraisal. The most qualified appraiser should be selected to perform the required appraisal. Financial institutions **cannot** give out their list of approved appraisers and allow borrowers to select or contact an appraiser for a loan involving a federally related financial transaction. This provision is already outlined in a memo from the bank regulating agencies, but it needs to be reiterated with emphasis because banks are letting clients "list shop" as of the date of this email!

In determining competency for a given appraisal assignment, institutions should consider an appraiser's education and experience. An institution should confirm that the appraiser holds a valid credential from the appropriate state appraiser regulatory authority. An institution should not base competency solely on the appraiser's credentialing, but also on additional education and experience.

While FIRREA intended for this to be "minimum standards," many lending institutions treat these standards as the only standards required when selecting an appraiser. Designations from professional appraisal associations are often overlooked when selecting appraisers. Fee and timing are often the only concerns expressed by financial institutions when ordering an appraisal. It seems that little or no credence is given to the quality of the appraisal and the research and analysis involved in the appraisal of complex properties. There needs to be someone at each financial institution charged with knowing the qualifications of their approved appraisers for each property type they are active in lending against, so that the most qualified appraisers for a particular assignment are vetted. Most problems with appraisals can be prevented by choosing the right appraiser for the right assignment.

Evaluations are not appraisals. Financial institutions should instead request an appraisal from a qualified appraiser with a scope of work appropriate for the appraisal assignment. Financial institutions need to know that it is permissible to "limit" the scope of work for loans that meet certain criteria. The criteria should be based on the risk of the loan. Currently financial institutions either do not order an appraisal, do an internal analysis of questionable validity, or order a complex appraisal on a simple transaction.

Broker Price Opinions (BPOs) are not appraisals. Financial institutions should instead request an appraisal from a qualified appraiser with a scope of work appropriate for the appraisal assignment. Financial institutions need to know that it is permissible to "limit" the scope of work for loans that meet certain criteria. The criteria should be based on the risk of the loan. Currently financial institutions either do not order an appraisal, do an internal analysis of questionable validity, or order a complex appraisal on a simple transaction.

Lenders must be penalized if they pressure an appraiser to change a value without market support.

Mortgage brokers must not be allowed to order any type of appraisal for any type of loan.

There needs to be an appraisal hotline. Most appraisers do not know where to complain when they are confronted with unethical banks, loan officers, mortgage brokers, and real estate agents. An office of appraisal compliance at FDIC (or similar) where independent appraisers can voice complaints would go a long way to solving a number of problems.

Sincerely,

Steve Stiloski, MAI, CCIM  
President - Wisconsin Chapter of the Appraisal Institute