



FEDERAL RESERVE BANK *of* KANSAS CITY

March 1, 2011

Interagency Appraisal and Evaluation Guidelines

- ATTENTION:** Chief Executive Officers of each Tenth District Bank Holding Company and each Tenth District State Member Bank
- SUBJECT:** SR 10-16 - Interagency Appraisal and Evaluation Guidelines (Guidelines)
- IN BRIEF:** The SR letter incorporates recent developments regarding real estate appraisals and evaluations and further clarifies existing appraisal and evaluation regulations. The Guidelines supersede previous guidance and were effective December 10, 2010.
- HIGHLIGHTS:** The Guidelines incorporate much of the 1994 guidelines and subsequent appraisal-related guidance. Further clarification of supervisory expectations regarding various areas of an institution's appraisal and evaluation program has been added to the Guidelines. Key areas of emphasis include:

- Expectations for evaluation content and use of analytical methods or technological tools in developing evaluations.
- Use of broker price opinions and similar valuation methods, and clarification that they do not meet minimum appraisal and evaluation standards, in and of themselves.
- Expectations for reviewing appraisals and evaluations, including qualifications of individuals performing reviews.
- Minimum standards for determining the market value of various types of residential tract development projects.
- Appraisal development based on an appropriate scope of work that provides "credible" results not influenced by lower cost or speed of delivery time.

The statement re-emphasizes the importance for an institution to review its current policies, procedures and practices (program) related to appraisals and evaluations to ensure compliance with the Guidelines. The new guidance underscores the importance of adopting a program that is risk-focused based on an institution's size and activities. All staff involved in the appraisal and evaluation process should be informed of the new guidance and of any changes made to an institution's program.

Questions regarding the real estate appraisal and evaluation regulations and interagency guidance may be directed to your institution's Central Point of Contact at one of the four Examination and Inspection or Enforcement departments of the Federal Reserve Bank of Kansas City.

- INTERNET:** A copy of the SR letter is available on-line at the Federal Reserve System's public web site: <http://www.federalreserve.gov/boarddocs/srletters/2010/SR1016.htm>