OFFICE OF REAL ESTATE APPRAISERS
1102 Q STREET, SUITE 4100
SACRAMENTO, CA 95811-6539

January 16, 2009

Regulation Comments
Chief's Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

Re: Proposed Interagency Appraisal and Evaluation Guidelines
Docket ID OTS - 2008 - 0012

To Whom It May Concern:

The State of California, Office of Real Estate Appraisers (OREA) appreciates the opportunity to comment on the proposed Interagency Appraisal and Evaluation Guidelines that reaffirm supervisory expectations for sound real estate appraisal and evaluation policies for federal financial institutions. While we applaud the additional detail for expectations for appraisal independence, we do have concerns over the following issues contained in the proposed guidelines:

- Under "Independence of the Appraisal and Evaluation Program" on page 20, the guidelines address valuation processes for small or rural institutions. It is stated that "In such cases, another loan officer, other officer, or director of the institution may be the only person qualified to analyze the real estate collateral." This statement seems to indicate that a non-appraiser could perform an appraisal. The actual performance of an appraisal should always be by a licensed or certified appraiser.

- Under "Minimum Appraisal Standards" on page 26, the guidelines state that appropriate deductions and discounts should be utilized in the analysis of raw land. Raw land is typically identified as land with no approvals or entitlements for improvement. As a result, deductions and discounts are not necessarily appropriate. A definition of raw land should be included in the Glossary of Terms, Appendix C.

- Under "Appraisal Reports" on page 30, restricted appraisal reports are referenced as a "....reporting option that merely states..." The verbiage states that "less detailed reports" may be appropriate in certain cases, which is indicative of a restricted report. Please note that for an appraiser to select this reporting option, they are asserting that there is only one intended user of the report. This is a requirement of the Uniform Standards of Professional Appraisal Practice (USPAP), and should be noted in the proposed language in order to clarify this standard for the intended user.

- Under "Evaluation Content" on page 34, the reference to "more detailed evaluations for higher risk...transactions" is somewhat vague. There are no reporting options for evaluations. It is recommended that a definition of "more detailed evaluations," and their required contents, be included in Appendix B.

- On page 36, "Third Party Arrangements" are discussed. It is recommended that the term Appraisal Management Company (AMC) be inserted in this paragraph as an alternative term for third party arrangements. AMCs are currently the most notable example of a third party, acting as agent for a financial institution.

- The section "Reviewing Appraisals and Evaluations" is discussed from page 36 to page 39, wherein it is stated that an appraisal review must comply with USPAP. It is recommended that this be edited to specifically state that the appraisal review must comply with Standards Rule 3 of USPAP. From a state regulatory perspective and OREA's experience, appraisal reviews are grossly misunderstood. We believe the specific reference to Standards Rule 3 is an important element in encouraging appraisers to be competent and to act in compliance with USPAP in the appraisal review process.

We respectfully request that you consider these comments in the final version of the Interagency Appraisal and Evaluation Guidelines. Should you have any questions, or wish to discuss the issues raised herein, please contact Mr. Greg Harding, Chief of Licensing, Enforcement and Education at the address noted above, or by calling him at (916) 440-7874.

Sincerely,

Bob Clark
Director
Office of Real Estate Appraisers