

Real Estate Appraisal Questionnaire

General Questionnaire

Appraisal Policies, Practices and Procedures

- | | Yes | No |
|---|-----|----|
| 1. Does the savings association have a written appraisal and evaluation policy? | | |
| 2. Has the policy been adopted by the board of directors? | | |
| 3. Does the policy establish criteria to determine the useful life of a prior appraisal or evaluation? | | |
| 4. Does the policy establish criteria that designates when federally related transactions require a new appraisal? | | |
| 5. Do appraisal and evaluation policies and procedures reflect the size of the institution and the nature of its real estate activities? .. | | |
| 6. Does the policy require that: | | |
| • appraisals be based upon the definition of market value as set forth in § 564.2(g)? | | |
| • appraisals be presented in a narrative format, except when approved forms are used? | | |
| • appraisals or evaluations be received and analyzed prior to arriving at the final credit or other decision? | | |
| • new appraisals be undertaken when federally related transactions meet certain criteria? | | |
| • appraisals disclose, analyze, and report in reasonable detail any prior sales of the property being appraised that occurred (i) within one year of the date the appraisal was prepared for one- to four-family residential property, and (ii) within three years of the date the appraisal was prepared for all other properties? | | |

(Note: see § 564.8(d) for exemptions.)

- | | Yes | No |
|--|-----|----|
| • management provide appraisers with a letter of engagement containing: | | |
| — a legal description of the subject property? | | |
| — a description of the interest to be appraised? | | |
| — the various value estimates requested? | | |
| — a copy of the savings association's written appraisal guidelines? | | |
| — a copy of the appraisal rule, if not contained within the association's policy? | | |
| — other pertinent information such as purchase agreements, income statements of the subject property, leases, financing terms, etc.? | | |
| 7. Are appraisers paid regardless of loan approval? | | |
| 8. Are loan approval and appraisal functions separate? | | |
| 9. Are appraisal reports prepared at the request of the lender or its agent? | | |
| If so, who is responsible for ordering appraisals?
_____ | | |
| 10. Who is responsible for reviewing appraisals?
_____ | | |
| Is the reviewer qualified as to education and experience? | | |

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11. Does the policy state the conditions when letter updates to appraisals will be permissible?			Is the reviewer qualified?		
12. Does the institution require an evaluation to disclose the name and address of the preparer?			19. Does the review consider:		
13. Are review procedures effective? Do they evaluate underlying assumptions, technical analysis and reasonableness of value?			<ul style="list-style-type: none"> • compliance with the savings association's appraisal and evaluation policies and procedures? • the reasonableness of the value estimates reported? 		
14. Are pre-funding reviews adequate?			<i>Appraisal Review</i>		
<i>Hiring Guidelines</i>			As a separate review, or in conjunction with the Classification of Assets and Real Estate Mortgage Lending programs, complete a Real Estate Appraisal Report Review form (line sheet) for each appraisal reviewed before completing the following questions:		
15. Does the institution require appraisers to meet reasonable standards for education, experience, and independence? Is proof of appropriate state license or certification readily available?			20. Are appraisal reports prepared for the lender?		
16. Does the institution maintain effective internal controls, such as a list of approved appraisers, to help ensure that only qualified, independent individuals are selected for assignments?			21. Does the savings association use only board-approved appraisers, or appraisers hired by management under board-delegated authority?		
<ul style="list-style-type: none"> • Is the process for selecting or removing an appraiser appropriate? • Are the criteria used for selecting or removing an appraiser appropriate? 			22. Are appraisers' qualifications appropriate for the types of properties being appraised?		
17. Does the institution unlawfully discriminate on the basis of membership or lack of membership in any particular appraisal organization?			23. Were the appraisals reviewed sufficiently current at the time the loan was funded?		
<i>Annual Performance Review</i>			24. If the appraisal review indicates that changes in value are necessary, for federally related transactions, is the reviewer licensed or certified?		
18. Does management annually review the performance of all approved appraisers employed or retained within the preceding 12-month period?			25. Do appraisals appear discriminatory on the basis of the age or location of the subject property?		
If so, who is responsible for the performance review?			26. Do appraisals:		
			<ul style="list-style-type: none"> • report all three approaches to value, or contain an explanation that supports the omission of one or more approaches?... 		

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<ul style="list-style-type: none"> • indicate a properly supported estimate of the highest and best use consistent with the definition of market value, whether or not the proposed use of the property is in fact the highest and best use? 			<ul style="list-style-type: none"> • include in the appraiser's certification: <ul style="list-style-type: none"> — a statement as to the appraiser's license/certification number and state of issuance? — a statement that the appraiser has no present or prospective interest in either the property being appraised or with the parties involved? — a statement indicating whether or not the appraiser made a personal inspection of the subject property? — a statement indicating that to the best of the appraiser's ability, the analyses, opinions, and conclusions were developed and the report was prepared in accordance with the appraisal standards of the savings association? 		
<ul style="list-style-type: none"> • identify, by legal description or otherwise, the real estate being appraised as this information is provided to the appraiser by management? 			27. For all properties, do reports include "market value as is on appraisal date?"		
<ul style="list-style-type: none"> • identify and reflect the market value of the property rights in the real property being appraised? 			28. For properties wherein a portion of the overall real property rights or physical assets would typically be sold to the ultimate user over a future time period, do reports include the following estimates of value: <ul style="list-style-type: none"> • "market value as is on appraisal date"?. • "market value as of complete on appraisal date"? • "prospective future value upon completion of construction"? 		
<ul style="list-style-type: none"> • include any current agreement of sale, option, or listing of the subject property, if available? 			29. For properties where anticipated market conditions indicate that stabilized occupancy is not likely, do reports include the following estimates of value: <ul style="list-style-type: none"> • "market value as is on appraisal date"?. 		
<ul style="list-style-type: none"> • include a history of sales for comparable properties when such properties have been sold several times during a brief period, or if the sales prices have decreased or increased at an atypical rate for that market? 					
<ul style="list-style-type: none"> • base their conclusions upon the most recent plans and specifications for proposed properties? 					
<ul style="list-style-type: none"> • set forth the effective date(s) of the value estimate(s) and the date of the report? .. 					
<ul style="list-style-type: none"> • contain summaries of actual annual operating statements for existing income-producing properties, made available to the appraiser by the lender and/or borrower, together with a supported forecast of the most likely future financial performance? 					
<ul style="list-style-type: none"> • include current rents and current occupancy levels? 					
<ul style="list-style-type: none"> • set forth all material assumptions and limiting conditions affecting the value conclusion in one separate section within the report? 					

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<ul style="list-style-type: none"> • “market value as if complete on appraisal date”? 			<ul style="list-style-type: none"> • do capitalization rates appear reasonable and are they supported by market data? 		
<ul style="list-style-type: none"> • “prospective future value upon completion of construction”? 			32. For appraisals that included the market approach to value:		
<ul style="list-style-type: none"> • “prospective future value upon reaching stabilized occupancy on the date of stabilization”? 			<ul style="list-style-type: none"> • are comparable properties physically similar? 		
30. For appraisals that included the cost approach to value:			<ul style="list-style-type: none"> • are comparable properties economically similar? 		
<ul style="list-style-type: none"> • are values for land and improvements presented separately? 			<ul style="list-style-type: none"> • are comparable sales sufficiently recent, i.e., substantial changes in the market have not occurred? 		
<ul style="list-style-type: none"> • do cost estimates appear to be reasonable? 			<ul style="list-style-type: none"> • are adjustments to comparables made for sales with favorable financing? 		
<ul style="list-style-type: none"> • are land values supported by comparable sales? 			33. Are market values determined by correlating the values indicated by the individual approaches to value?		
<ul style="list-style-type: none"> • do estimates for depreciation appear reasonable and consistent with estimates of effective age? 			34. Based on the loans and appraisals reviewed, is there a significant correlation between classified assets and faulty appraisals?		
31. For appraisals that included the income approach to value:			<ul style="list-style-type: none"> • If so, can faulty appraisals be traced to certain appraisers or appraisal firms? 		
<ul style="list-style-type: none"> • do potential gross income projections appear reasonable? 			<ul style="list-style-type: none"> • Does this indicate weaknesses in the institution’s appraisal policies, procedures or internal controls? 		
<ul style="list-style-type: none"> • do adjustments for vacancy and credit loss appear adequate? 			<ul style="list-style-type: none"> • Is corrective action required for any institution program or policy as a result? 		
<ul style="list-style-type: none"> • do operating expenses appear reasonable? 					

Comments

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