

- In addition, the Minimum Appraisal Standards section clarifies an Automated Valuation Model,² by itself, is not an appraisal. This section also contains new guidance about having the appraisal report disclose the nature and extent of research performed to verify a property's condition and support market value;
- Greater detail about how appraisals should have appropriate adjustments to market value for factors such as prospective improvements, lease terms, and market conditions. Furthermore, the guidelines clarify how appraisals should not incorporate factors such as favorable financing or special value to a specific property user into the market value;
- Reinforcement of the Agencies' expectations regarding the management of relationships with third parties as they pertain to real estate lending; and,
- The need to develop policies for determining an appropriate collateral valuation methodology for various transactions.

These guidelines are intended to supplement existing regulations and provide a clear overview of the expectations regarding appraisal practices. This revised version supersedes the 1994 issuance and NCUA Letter to Credit Unions 03-CU-17.

Federally insured credit unions also remain subject to the provisions of Part 722 of the NCUA Rules and Regulations relative to appraisal practices.

If you have any questions regarding the Interagency Appraisal and Evaluation Guidelines, please contact your district examiner, regional office, or state supervisory authority.

Sincerely,

/s/

Debbie Matz
Chairman

² An Automated Valuation Model (AVM) is a computerized property valuation system that relies upon comparable or repeat sales indexes to determine property value. AVMs generally do not include an onsite examination of the property. On January 26, 2007, NCUA issued a press release to indicate credit unions can use AVMs for mortgage or home equity transactions with a value of \$250,000 or less when an individual with "knowledge, training, and experience in the local real estate market" reviews the AVM. The reviewer can be an employee of the credit union. See also: Office of General Counsel Opinions 06-0824 (October 31, 2006) and 06-1219 (January 19, 2007).

