

# Real Estate Appraisal Program

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## EXAMINATION OBJECTIVES

To determine the effectiveness of the appraisal function, including:

- The adequacy of policies, procedures, and internal controls;
- The quality of appraisal reports and the reasonableness of value estimates; and
- The competence and independence of appraisers used by the institution.

To identify deficiencies and initiate corrective action as necessary.

## EXAMINATION PROCEDURES

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### LEVEL I

1. Review examination scoping materials related to appraisals. If the review of scoping materials is performed by other regulator(s), obtain a written or verbal summary of the review(s) of items concerning this program. Refer to the examiner in charge (EIC).

Scoping materials might include: the prior examination report, prior exception sheets and work papers, review of internal/external audit reports, supervisory analysis, correspondence, review of business plan, review of market area economic conditions, review of minutes of the meetings of the board of directors, PERK information, etc.

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2. Review the preceding Report of Examination (ROE) and all real estate appraisal-related exceptions noted and determine if management has taken appropriate corrective action.
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3. Review the Matters Requiring Board Attention and Corrective Actions from the three or four previous ROEs to ensure that the board and management have taken appropriate corrective action where necessary and persistent problems have not recurred.  

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4. Evaluate the savings association's policies and procedures for appraisals by reviewing policy statements, procedures manuals, board and committee minutes, etc.  

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5. Evaluate the savings association's written guidelines for hiring appraisers as they pertain to education and experience  

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6. Review management's annual evaluation of appraiser performance. The evaluation should address an appraiser's compliance with the savings association's appraisal policy and the reasonableness of value estimates.  

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7. Based on the findings from procedures 4 through 6, complete the related sections of the General Questionnaire.  

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8. Review Level II and Level III procedures and perform those necessary to test, support, and present conclusions derived from performance of Level I procedures.  

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## LEVEL II

9. Complete appraisal line sheets, either as a separate review procedure or in conjunction with the completion of the One- to Four-Family Lending program (Section 212) and the Classification of Assets program (Section 260). Based on the information recorded on the line sheets, complete the Appraisal Review Section of the General Questionnaire.

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10. From discussions with examiners assigned to the Classification of Assets, Lending Overview, and One- to Four-Family Lending programs, determine the need to review:

- delinquent loans or loans placed on non-accrual status granted to board-approved appraisers;
  - major loans granted to board-approved appraisers; or
  - commercial loans granted to board-approved appraisers.
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11. Ensure that the Objectives of this Handbook Section have been met. State your findings and conclusions, as well as appropriate recommendations for any necessary corrective measures, on the appropriate work papers and report pages.

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## LEVEL III

12. Determine the need for the services of the regional appraiser. This may include instances where:

- an appraisal report's estimate of value is unreasonable;
- the association did not receive an appraisal report for a security property or for real estate owned;

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- an improper basis was used in calculating value;
  - an appraisal is outdated or market conditions have changed; or
  - construction has halted on a security property.
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13. After discussion with the regional director, or designee, determine the need for independent appraisals.

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## **EXAMINER'S SUMMARY, RECOMMENDATIONS, AND COMMENTS**

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