

**[Code of Federal Regulations] [Title 12, Volume 5]
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TITLE 12--BANKS AND BANKING

CHAPTER V--OFFICE OF THRIFT SUPERVISION, DEPARTMENT OF THE TREASURY

1. PART 564--APPRAISALS--Table of Contents

Sec. 564.1 Authority, purpose, and scope. (APPRAISERS NOTES – As seen throughout in **PURPLE**.)

*1. This is chapter 5, section 564 of the FIRREA Banking Laws, which specifically governs Banks relationships with Appraisers. **This is the law!***

(a) **Authority.** This part is issued by the Office of Thrift Supervision ('OTS') under title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ('FIRREA') (Pub. L. 101-73, 103 Stat. 183, 511 (1989)), 12 U.S.C. 3301 et seq., and the Home Owners' Loan Act ('HOLA'), 12 U.S.C. 1461 et seq., as amended by FIRREA.

(b) Purpose and scope. (1) Title XI provides protection for federal financial and public policy interests in real estate related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This part implements the requirements of title XI and applies to all federally related transactions entered into by the OTS or by institutions regulated by the OTS ('regulated institutions').

(2) This part: (i) Identifies which real estate-related financial transactions require the services of an appraiser;

(ii) Prescribes which categories of federally related transactions shall be appraised by a State certified appraiser and which by a State licensed appraiser; and

(iii) Prescribes minimum standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of the OTS.

Sec. 564.2 Definitions.

(a) Appraisal means a written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information.

(b) Appraisal Foundation means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois. (The same state as where the Appraisal Institute is headquartered) (Is this a strange coincidence - is this a tax dodge for the Appraisal Institute)? This foundation was chartered 2 years before FIRREA was enacted - The Appraisal Institute must be investigated!

(c) Appraisal Subcommittee means the Appraisal Subcommittee of the Federal Financial Institution Examination Council.

(d) Business loan means a loan or extension of credit to any corporation, general or limited partnership, business trust, joint venture, pool, syndicate, sole proprietorship, or other business entity.

(e) Complex 1-to-4 family residential property appraisal means one in which the property to be appraised, the form of ownership, or market conditions are atypical.

2. (f) Federally related transaction means any real estate-related financial transaction entered into on or after August 9, 1990, that:

- (1) The OTS or any regulated institution engages in or contracts for; and
- (2) Requires the services of an appraiser.

2. This is the definition of what a federally related transaction is, and is accordingly, regulated by the OTS.

(g) Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(h) Real estate or real property means an identified parcel or tract of land, with improvements, and includes easements, rights of way, undivided or future interests, or similar rights in a tract of land, but does not include mineral rights, timber rights, growing crops, water rights, or similar interests severable from the land when the transaction does not involve the associated parcel or tract of land.

(i) Real estate-related financial transaction means any transaction involving:

- (1) The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or
- (2) The refinancing of real property or interests in real property; or
- (3) The use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

3. (j) State certified appraiser means any individual who has satisfied the requirements for certification in a State or territory whose criteria for certification as a real estate appraiser currently meet the minimum criteria for certification issued by the Appraiser Qualifications Board of the Appraisal Foundation. No individual shall be a State certified appraiser unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the National Foundation. In addition, the Appraisal Subcommittee must not have issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with title XI of FIRREA. The OTS may, from time to time, impose additional qualification criteria for certified appraisers performing appraisals in connection with federally related transactions within its jurisdiction.

3. The paragraph above states that a certified appraiser by virtue of having said license is providing adequate credentials in conjunction with the competency provision which is later seen in section 564.6 (b), and accordingly, said work, must be accepted, by your institution.

(k) State licensed appraiser means any individual who has satisfied the requirements for licensing in a State or territory where the licensing procedures comply with title XI of FIRREA and where the Appraisal Subcommittee has not issued a finding that the policies, practices, or procedures of the State or territory are inconsistent with title XI. The OTS may, from time to time, impose additional qualification criteria for licensed appraisers performing appraisals in connection with federally related transactions within its jurisdiction.

(l) Tract development means a project of five units or more that is constructed or is to be constructed as a single development.

(m) Transaction value means:

(1) For loans or other extensions of credit, the amount of the loan or extension of credit;

(2) For sales, leases, purchases, and investments in or exchanges of real property, the market value of the real property interest involved; and

(3) For the pooling of loans or interests in real property for resale or purchase, the amount of the loan or market value of the real property calculated with respect to each such loan or interest in real property.

Sec. 564.3 Appraisals required; transactions requiring a State certified or licensed appraiser.

(a) Appraisals required. An appraisal performed by a State certified or licensed appraiser is required for all real estate-related financial transactions except those in which:

(1) The transaction value is \$250,000 or less;

(2) A lien on real estate has been taken as collateral in an abundance of caution;

(3) The transaction is not secured by real estate;

(4) A lien on real estate has been taken for purposes other than the real estate's value;

(5) The transaction is a business loan that:

(i) Has a transaction value of \$1 million or less; and

(ii) Is not dependent on the sale of, or rental income derived from, real estate as the primary source of repayment;

(6) A lease of real estate is entered into, unless the lease is the economic equivalent of a purchase or sale of the leased real estate;

(7) The transaction involves an existing extension of credit at the lending institution, provided that:

(i) There has been no obvious and material change in market conditions or physical aspects of the property that threatens the adequacy of the institution's real estate collateral protection after the transaction, even with the advancement of new monies; or

(ii) There is no advancement of new monies, other than funds necessary to cover reasonable closing costs;

4.(8) The transaction involves the purchase, sale, investment in, exchange of, or extension of credit secured by, a loan or interest in a loan, pooled loans, or interests in real property, including mortgaged-backed securities, and each loan or interest in a loan, pooled loan, or real property interest met OTS regulatory requirements for appraisals at the time of origination;

(9) The transaction is wholly or partially insured or guaranteed by a United States government agency or United States government sponsored agency;

4. The above paragraph is inclusive of all lenders involved in wholesale mortgage loan origination. This includes any lenders who deal in Pooled Loans and Mortgage Backed Securities.

(10) The transaction either:

5. (i) Qualifies for sale to a United States government agency or United States government sponsored agency; or

5. This includes HUD, SBA, Municipal Bonds, & all sectors of gov't.

6. (ii) Involves a residential real estate transaction in which the appraisal conforms to the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation appraisal standards applicable to that category of real estate;

6. This paragraph pertains to all FNMA, and Freddie Mac related transactions where most wholesalers broker their mortgage paper. For lenders who refuse to comply with approving appraisers who have evidenced competency: 564.6 (b) to perform an assignment, the appraiser will report your refusal to add us to your approved list to both FNMA and Freddie Mac, and you will be removed as an approved FNMA-Freddie Mac lender. In addition we will have our legal counsel file a writ for a Cease and Desist order to shut your institution down from continued operations. See: ENFORCEMENT Sec 564.7

(11) The regulated institution is acting in a fiduciary capacity and is not required to obtain an appraisal under other law; or

(12) The OTS determines that the services of an appraiser are not necessary in order to protect Federal financial and public policy interests in real estate-related financial transactions or to protect the safety and soundness of the institution.

(b) Evaluations required. For a transaction that does not require the services of a State certified or licensed appraiser under paragraph (a)(1), (a)(5) or (a)(7) of this section, the institution shall obtain an appropriate evaluation of real property collateral that is consistent with safe and sound banking practices.

(c) Appraisals to address safety and soundness concerns. The OTS reserves the right to require an appraisal under this part whenever the agency believes it is necessary to address safety and soundness concerns.

(d) Transactions requiring a State certified appraiser--(1) All transactions of \$1,000,000 or more. All federally related transactions having a transaction value of \$1,000,000 or more shall require an appraisal prepared by a State certified appraiser.

(2) Nonresidential and residential (other than 1-to-4 family) transactions of \$250,000 or more. All federally related transactions having a transaction value of \$250,000 or more, other than those involving appraisals of 1-to-4 family residential properties, shall require an appraisal prepared by a State certified appraiser.

(3) Complex residential transactions of \$250,000 or more. All complex 1-to-4 family residential property appraisals rendered in connection with federally related transactions shall require a State certified appraiser if the transaction value is \$250,000 or more. A regulated institution may presume that appraisals of 1-to-4 family residential properties are not complex, unless the institution has readily available information that a given appraisal will be complex. The regulated institution shall be responsible for making the final determination of whether the appraisal is complex. If during the course of the appraisal a licensed appraiser identifies factors that would result in the property, form of ownership, or market conditions being considered atypical, then either:

(i) The regulated institution may ask the licensed appraiser to complete the appraisal and have a certified appraiser approve and co-sign the appraisal; or
(ii) The institution may engage a certified appraiser to complete the appraisal.

(e) Transactions requiring either a State certified or licensed appraiser. All appraisals for federally related transactions not requiring the services of a State certified appraiser shall be prepared by either a State certified appraiser or a State licensed appraiser.

(f) Effective date. Savings associations are required to use State certified or licensed appraisers as set forth in this part no later than December 31, 1992.

Sec. 564.4 Minimum appraisal standards.

For federally related transactions, all appraisals shall, at a minimum:

7. (a) Conform to generally accepted appraisal standards as evidenced by the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation, 1029 Vermont Ave., NW., Washington, DC 20005, unless principles of safe and sound banking require compliance with stricter standards;

7. Lenders who require that a state certified appraiser must personally inspect the subject property are in violation of USPAP, which clearly states that trainees or associates can inspect the property on behalf of the state certified appraiser, which is why Certified Appraisers hire others to work for them, and accordingly fosters growth in the industry.

(b) Be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction;

(c) Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units;

(d) Be based upon the definition of market value as set forth in this part; and

(e) Be performed by State licensed or certified appraisers in accordance with requirements set forth in this part.

Sec. 564.5 Appraiser independence.

(a) Staff appraisers. If an appraisal is prepared by a staff appraiser, that appraiser must be independent of the lending, investment, and collection functions and not involved, except as an appraiser, in the federally related transaction, and have no direct or indirect interest, financial or otherwise, in the property. If the only qualified persons available to perform an appraisal are involved in the lending, investment, or collection functions of the regulated institution, the regulated institution shall take appropriate steps to ensure that the appraisers exercise independent judgment and that the appraisal is adequate. Such steps include, but are not limited to, prohibiting an individual from performing an appraisal in connection with federally related transactions in which the appraiser is otherwise involved and prohibiting directors and officers from participating in any vote or approval involving assets on which they performed an appraisal.

8. (b) Fee appraisers. (1) If an appraisal is prepared by a fee appraiser, the appraiser shall be engaged directly by the regulated institution or its agent, and have no direct or indirect interest, financial or otherwise, in the property or the transaction.

8. An appraisal may be made out to an AGENT, as engaged by same; which is any licensed person working in behalf of a client; ie, Real Estate Agent, Mortgage Brokerage Agency, Title Agency, etc.

9. (2) A regulated institution also may accept an appraisal that was prepared by an appraiser engaged directly by another financial services institution, if:

9. An appraisal written to "XYZ" Bank may be used by "ABC" Bank.

(i) The appraiser has no direct or indirect interest, financial or otherwise, in the property or the transaction; and

(ii) The regulated institution determines that the appraisal conforms to the requirements of this part and is otherwise acceptable.

Sec. 564.6 Professional association membership; competency.

10. (a) Membership in appraisal organizations. A State certified appraiser or a State licensed appraiser may not be excluded from consideration for an assignment for a federally related transaction solely by virtue of membership or lack of membership in any particular appraisal organization.

10. This is regardless of having or not having an MAI/SRA/ASA or other membership as I am licensed and state certified. Note: For AN ASSIGNMENT above, in the singular - not to hope to be approved some day next year or the year after, long after the opportunity has passed.

(b) Competency. All staff and fee appraisers performing appraisals in connection with federally related transactions must be State certified or licensed, as appropriate. However, a State certified or licensed appraiser may not be considered competent solely by virtue of being certified or licensed. Any determination of competency shall be based upon 10 the individual's experience and educational background as they relate to the particular appraisal assignment for which he or she is being considered.

10. I have 23 years of appraisal experience. No complaints have ever been filed, after completing nearly 10,000 appraisal assignments. I will submit a warehouse, or a retail center for your review and approval or whatever property type the assignment is that I am looking to perform wherein I have had an agent request my services.

11. Sec. 564.7 Enforcement.

12. Institutions and institution-affiliated parties, including staff appraisers and fee appraisers, who violate this part may be subject to removal and/or prohibition orders, cease and desist orders, and the imposition of civil money penalties pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1811 et seq., as amended, or other applicable law.

11. This is where the judiciary and police actions will be implemented. Per the next paragraph below our attorney's will file a motion with the court to have your institution Cease and Desist from doing further business. If you deny us the right to do business, be assured, we will stop you from doing business!

12. We will immediately file a report with the Department of the Treasury and the FDIC for any attempt to restrain Trade when a 3rd party client has requested our companies appraisal services to be brokered through your institution, and YOUR company refuses to accept our work, at the risk of severe penalties and possibly revocation of your companies banking charter.