



October 26, 2009

The Honorable Ben Bernanke
Chairman
Board of Governors of the Federal Reserve System
Martin Building, 20th and C Streets, NW, Room M3123
Washington, DC 20551

Dear Mr. Bernanke:

On behalf of the thousands of professional real estate appraisers engaged in delivering valuation services to our nation's financial institutions, we seek confirmation of what we understand is the Federal Reserve's supervisory policy of prohibiting reliance on broker price opinions (BPOs) to value land and other real property collateralizing commercial mortgage loans. We share what we believe is your agency's conclusion that BPOs do not meet the requirements of an "evaluation" under the Interagency Appraisal and Evaluation Guidelines.

In recent months, our members have reported that BPOs have been ordered by regulated financial institutions to satisfy the "evaluation" requirements for renewals of commercial loans and refinancing transactions. If this is the case, we believe that such BPO products violate Federal Reserve regulations because they fail to meet the requirements for an evaluation under the Interagency Appraisal and Evaluation Guidelines. Specifically, commercial BPOs typically lack details on a commercial property's conditions, occupancy, and use as stipulated by the Interagency Guidelines. As such, any use by regulated or supervised institutions would constitute a violation of the Interagency Appraisal and Evaluation Guidelines and, we believe, are inconsistent with written Federal Reserve policies.

Because of the magnitude of the issue with a large percentage of commercial real estate loans in a volatile state, we respectfully request assurance that your agency has provided sufficient guidance on this subject to examiners and other agency personnel. Specifically, we seek to confirm our contention that commercial BPO products are not acceptable forms of evaluations for the renewal or refinancing of a commercial real estate loan qualifying for the appraisal exemption. If guidance has been provided to examiners, we respectfully request a copy of such guidance so that we can advise our members appropriately, as many of them work for regulated institutions in appraisal and risk management departments.

Thank you in advance for your attention and response to this matter. If you should have any questions, please contact Bill Garber, Director of Government and External Relations, at 202-298-5586 or bgarber@appraisalinstitute.org.

Sincerely,

Appraisal Institute
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
National Association of Independent Fee Appraisers

Cc: Mr. Patrick M. Parkinson, Director, Banking Supervision and Regulation Division