



Appraisal Institute

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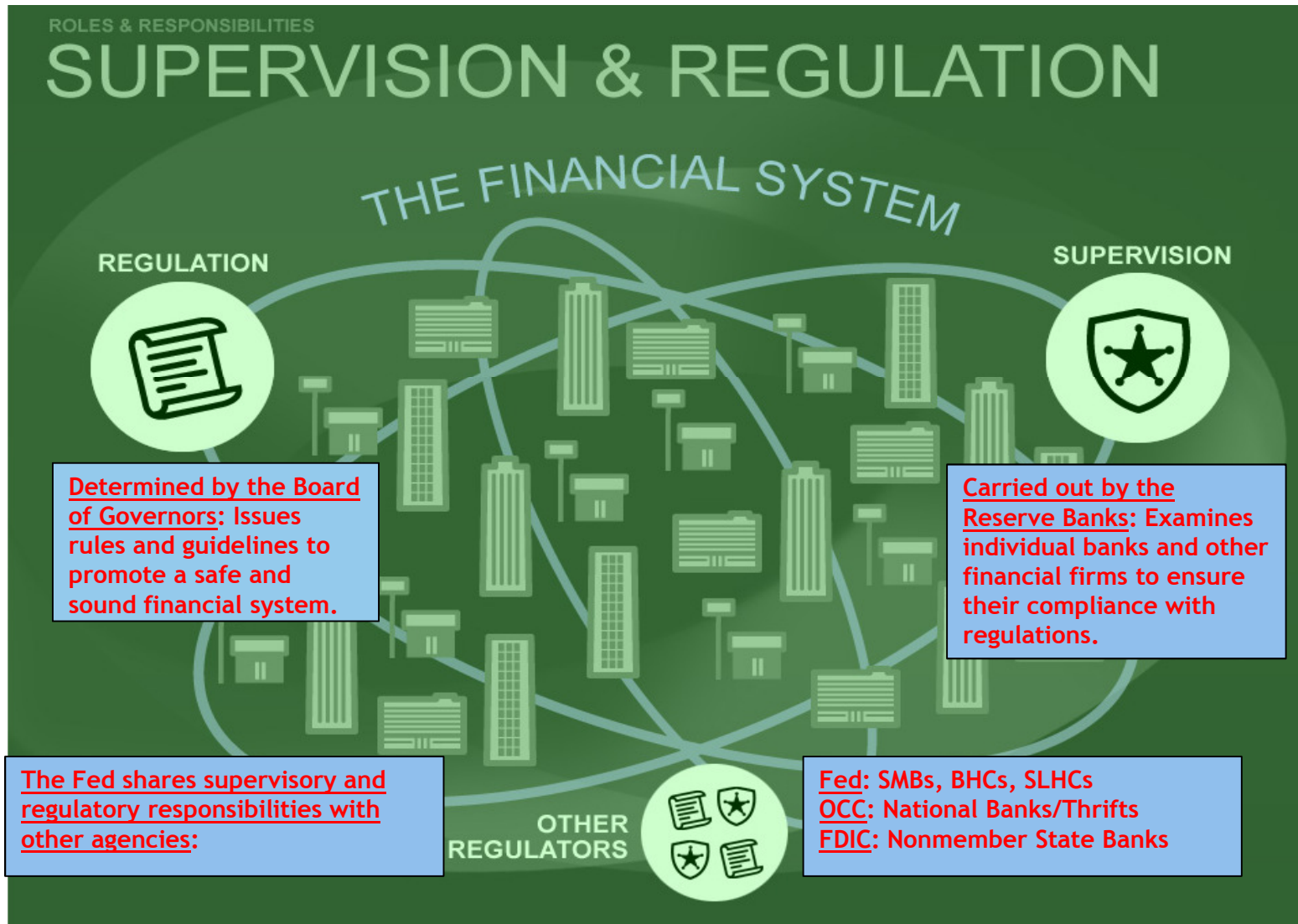
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Disclaimer

The views and opinions expressed are those of the presenter and are not necessarily those of the Federal Reserve Bank of Atlanta or the Board of Governors of the Federal Reserve System.

Banking Supervision & Regulation



Federal Reserve as Primary Regulator

Supervision & Regulation

Safety & Soundness

State member banks
Holding companies
Foreign banking organizations

Credit risk
Market and liquidity risk
Operations risk
BSA/AML
Information Technology
Applications and Enforcement

Consumer Compliance

State member banks
Holding companies
Foreign banking organizations

Consumer regulations

- Loans
- Deposits
- Community Reinvestment Act
- Other
 - UDAP
 - Privacy
 - Others

Credit and Risk Management

Depository Institutions

Discount Window & Collateral
Condition Monitoring
Reserves Management
Payments System Risk

Common Errors

Geographical/Property Competence Issues

Examples:

- Appraisers from the West Coast Valuing East Coast Property
- Appraisers from Rural Markets Valuing Urban Locations (Vice Versa)
- Property in Unproven Markets Compared to Well Established Locations

Takeaway:

- Geographic and Property Competence Takes On Enhanced Importance in the Current CRE Environment

Common Errors

Technical Issues

Examples:

- Out of Date Sales Comparable Information
 - Appraisals with Comps Greater than 5 Years Old
- Adjustment Errors
- Income Approach/Cap Rate Issues
- Use of Listings as a Indicator of Value
- Errors (Wrong Property / Incorrect Parcel/Tax ID Numbers)
- Poorly Defined Scope

Takeaway:

- These Issues have Significant Costs on the Financial System, CRE Market and Appraisers

Common Errors

Report Issues

Examples:

- Lack of Explanations (Adjustments/Methodology/Data)
- Lack of Reconciliation or Explanation of Reconciliation
- Mathematical Errors
- Cut and Paste Issues

Takeaway:

- Unforced Errors have Significant Costs on the Financial System, CRE Market and Appraisers