QUOTABLE QUOTES AND BANK REGULATION

by Steve Brown

Quotes can be interesting to think about and many famous people have left us pondering deep thoughts after reading some of theirs. Consider one from Will Rogers who said, "Common sense ain't common" or Mark Twain who said, "When in doubt tell the truth." Then there is the one from Harry Truman who said, "It's a recession when your neighbor loses his job: it's a depression when you lose yours." There is no denying that some quotes are worthy of repeating and thinking about, if for nothing more than pure entertainment value. Yesterday, banking regulators released final supervisory guidance on what bankers need to do for real estate appraisals and evaluations. While we couldn't find any great quotes in the piece, it certainly should be reviewed and incorporated by all banks, as it replaces 1994 guidelines and clarifies certain issues as well.

The new guidelines also incorporate recent supervisory issuances on appraisal practices, address advancements in technology used in collateral valuation practices and clarify standards for the industry's appropriate use of analytical methods and technological tools in developing evaluations. Regulators indicated they are issuing the guidelines "to promote consistency in the application and enforcement of the Agencies' current appraisal requirements and related supervisory guidance."

As an overview, regulators reiterated that as part of any examination, they will review an appraisal or evaluation to determine whether the methods, assumptions and value conclusions are reasonable. They will also determine whether the appraisal or evaluation complies with regulatory appraisal regulations and is consistent with supervisory guidance as well as the institution's policies. Finally, regulators will review the steps taken by the bank to ensure that the persons who perform the appraisals and evaluations are qualified, competent and not subject to conflicts of interest.

Going deeper into the text, regulators reiterate that they expect banks to establish reporting lines independent of loan production areas for staff that administer the bank's collateral valuation program. This includes ordering, reviewing, and acceptance of appraisals and evaluations. In addition, regulators want appraisers to be independent of the loan production and collection processes and have no direct, indirect or prospective interest, financial or otherwise, in the property or transaction. For community banks where absolute lines of independence cannot be achieved, regulators indicate banks must be able to demonstrate clearly that they have prudent safeguards to isolate the collateral valuation program from influence or interference from the loan production process. Banks should have programs strengthened as needed to ensure proper policies and procedures are in place.

Banks should also be careful to avoid pushing too hard on appraisers to achieve a desired outcome. Regulators make it clear that while banks may request an appraiser to consider additional information about the subject property or about comparable properties; provide additional supporting information about the basis for a valuation or correct factual errors in an appraisal; care should be exercised. In all cases, the bank's policies and procedures should make sure that inappropriate actions are avoided that would compromise the independence of the collateral valuation function. There is a lot more for bankers to read about and understand in this 70 page document, so you can access it below.

In closing, particularly given the popularity of Harry Potter, we found this quote from Frankie Boyle quite humorous - "If Harry Potter's so magical, why can't he cure his own eyesight." Have a great weekend and happy quoting.

Related Links:
[Supervisory Guidance on Real Estate Appraisals and Evaluations]

BANK NEWS

Holiday Shopping

Same store sales came in for Nov. a stronger than expected 6% over Nov. 2009.

IOLTA Coverage

Since the new Dodd-Frank coverage does not cover IOLTA deposit accounts after the expiration of TAG, the House passed HR Bill 6398 which would continue full FDIC protection. The Bill goes to the Senate were we put the prospects for passage at about 65%.

Foreclosure Standing

Congressional testimony on foreclosuregate by a state judge and others cast doubt if large banks that use MERS have legal standing to foreclose on a home.

60 Minutes

Look for Chair Bernanke on 60 Minutes this Sunday. Recall the last time his was on back in Mar. of '09, equities hit bottom then rallied.