



January 19, 2009

Mr. Michael E. Fryzel  
Chairman  
National Credit Union Administration  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Re: Proposed Interagency Appraisal and Evaluation Guidelines

Dear Mr. Fryzel:

Thank you for the opportunity to provide comments to the Proposed Interagency Appraisal and Evaluation Guidelines (hereafter Guidelines). The National Association of Broker Price Opinion Professionals (hereafter NABPOP) is providing this letter to offer comments and input for the Guidelines recently released for comment by the OCC, FRB, FDIC, OTS, and NCUA. NABPOP appreciates the initiative and efforts of the Agencies to adapt the Guidelines to the evolving market conditions and consumer needs.

**Summary of Suggestions:** NABPOP would like to suggest, at various sections in the Guidelines, 1 to include the use of Broker Price Opinions (BPOs), 2 to utilize BPO experienced real estate agents/brokers (hereafter BPO practitioners) for Drive By Property Inspections, and 3 to include a discussion regarding distressed properties.

Specifically, the Use of BPOs:

- as another Evaluation Alternative option in addition to AVMs and TAVs specified in Appendix B (Evaluation Alternatives)
- as the primary pricing option for distressed properties
- as an option for "Portfolio Monitoring" specified on Page 40
- as an option to supplement an appraisal for additional information
- as an option for "Validity of Appraisals and Evaluations" specified on Page 35
- listed specifically as an option for "Appraisal Exemptions" Appendix A
- BPO defined in Appendix C (Glossary of Terms)

The use of BPOs has an established track record within the industry and BPOs have emerged as a reliable and accurate pricing tool with a relatively fast turnaround time. Loan servicers have utilized BPOs to make sound and adequately supported loan decisions for many years. The current utilization of BPOs in the real estate industry warrants inclusion of BPOs in the Guidelines.

**About NABPOP:** We feel that it is important to point out that there are professional organizations, such as NABPOP, specifically dedicated to the advancement of the BPO industry. NABPOP is a non-profit professional trade association of BPO practitioners. Members of NABPOP benefit from the professional advancement of robust BPO education, BPO training, a stringent BPO certification process, BPO job resources, an association Code of Ethics, and networking that is offered through the association. We believe these features benefit the entire industry. NABPOP is dedicated to advancing the professionalism and competency of BPO practitioners therefore elevating the BPO industry and, in part, the real estate valuation industry. Although the priority of NABPOP is the association members, NABPOP also advocates BPO practitioners industry wide, regardless of affiliation, and any reference to "BPO practitioner" includes members and non-members.

## Further Discussion of Suggestions

**Additional Evaluation Option:** The Guidelines specifies the use of AVMs and TAVs. NABPOP suggests that the agencies name BPOs specifically and include BPOs as another Additional Evaluation option in the Guidelines. Expressed in terms of a valuation continuum of viable pricing reports, BPOs are generally more accurate and contain more pertinent information than AVMs and TAVs. NABPOP supports the use of AVMs and TAVs as valuation tools in appropriate situations, specifically when time is of the essence and accuracy is not critical. Inclusion of BPOs will give more options to institutions when more accuracy is desired.

The Guidelines specify a bulleted list of "Evaluation Content" on Page 32. A BPO report contains all of the elements (and more) specified in the Evaluation Content bulleted list. Furthermore, a BPO, performed by a BPO practitioner, satisfies the Guideline's requirement for persons that are independent of the loan production process and transaction, and have real estate-related training and experience to perform evaluations. BPO practitioners have the requisite "knowledge of the market and property type relevant to the subject property" required by the Guidelines. NABPOP established the association's BPO education and BPO certification program to help ensure the requisite skill level and knowledge exists in the BPO industry.

BPOs are an ideal fit as an Additional Evaluation Option. BPOs should be included in the Guidelines as an Additional Evaluation Option.

**Distressed Properties:** In general, NABPOP suggests including a discussion about distressed loans; notwithstanding the suggested use of BPOs. Distressed loans are very much a part of the real estate industry even in good economic times and should be duly addressed in the Guidelines.

A BPO is an ideal tool to evaluate properties with distressed loans. A BPO allows a loan servicer to know what the expected listing and sale price would be in an REO sale, and therefore influences any decisions made with respect to the foreclosure or short sale process for a specific property. As you may know a BPO, among other things, provides a selling price ("as is" price and repaired price) as well as detailing the general condition of the property accompanied with subject photos and details the market conditions including marketing time. A BPO provides the servicer with the information necessary to make an informed decision as to the most cost effective alternative to either pursue a loan modification, place the property on the market as a short sale, or decide between a sale at foreclosure auction versus repossessing the property and list it as an REO property (and the subsequent carrying costs relevant to the marketing time provided in the BPO). This is information that a BPO practitioner is perfectly suited to provide in the form of a BPO.

BPOs give the loan servicer a frequent and up-to-date understanding of the prices of distressed loans throughout the foreclosure process i.e. a single property may have several BPOs submitted throughout the foreclosure process. Additionally, the BPO practitioner that provided the BPO can also be utilized for Drive By Property Inspections throughout the entire process.

Finally, when a distressed property goes to the open market (as a short sale or as an REO property), the broker that performed the BPO is typically the logical choice to list and market the property.

NABPOP would also like to point out that the FDIC has recently proposed the use of BPOs in its *Loss Sharing Proposal to Promote Affordable Loan Modifications*. Clearly the FDIC intends to use BPOs for this program; therefore, it is a logical extension that BPOs are discussed in the Guidelines as well.

**Portfolio Monitoring:** BPOs present a very good option for a financial institution's portfolio monitoring. BPOs historically have been the preferred method of real estate portfolio mark-to-market process for certain financial institutions with reportable real estate assets. The fast turnaround time of BPOs address the timeliness issue in the Guidelines. The proposed Guidelines mention "...an institution's policies and procedures should ensure that timely information is available to management for assessing collateral..." Although AVMs have the shortest turnaround time, the lack of human intervention can cause the accuracy of an AVM to be suspect. Appraisal accuracy is well established; however, the prolonged turnaround times (typically 2 weeks) do not meet the timely criteria especially when aggregating hundreds or thousands of valuations. BPOs have a proven track record of fast turnaround time (industry average 3 days) coupled with the accuracy of professional price opinions based on market knowledge. BPOs strike a good balance between fast turnaround and accuracy.

**Appraisal Supplement/Validity of Appraisals:** BPOs have become an excellent means as a supplement to appraisals. A BPO supplementing an appraisal offers an additional perspective on the characteristics of a property underlying a proposed loan, and in borderline cases an institution can feel more confident in acting (or not acting) when it has sufficient data upon which to base its decision. Even if an institution does not use the bottom line price opinion of a BPO, there are many parts of a BPO that can give a different perspective such as the comparables used for the BPO, the BPO market comments (neighborhood, local area, city etc.), observations from the subject property and neighborhood inspection, subject property photos etc...

Institutions can also validate an appraisal by utilizing a BPO. A BPO can offer a **secondary independent check** of an appraisal. An institution can use the bottom line appraisal value to compare/contrast the bottom line price on a BPO. Additionally, a financial institution can compare/contrast the individual components (comps, market comments etc... as detailed above) of an appraisal versus a BPO.

In the Guidelines, suggesting the use of a BPO to supplement an appraisal would have the effect of providing institutions with more information. It is hard to dispute that more information is better. Furthermore, a BPO is an excellent means of validating an appraisal.

**Conclusion:** BPOs have an established track record within the industry and has emerged as a reliable and accurate pricing tool. BPOs offer a relatively fast turnaround time for timely decisions. Loan servicers have utilized BPOs to make sound and adequately supported loan decisions for many years. Furthermore, utilizing Drive By Property Inspections by BPO practitioners will also aid financial institutions. BPOs have been widely utilized in the real estate industry; therefore, BPOs should be included in the Proposed Interagency Appraisal and Evaluation Guidelines.

Questions can be directed to the following e-mail [Michael.Ramer@NABPOP.com](mailto:Michael.Ramer@NABPOP.com)

Thank you for the opportunity to provide comments and input.

Sincerely,

NABPOP  
National Association of  
Broker Price Opinion Professionals