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Ms. Jennifer J. Johnson
Secretary, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

RBC Bank Real Estate Appraisal Group

Comments on the
Proposed 2008 Interagency Appraisal and Evaluation Guidelines
Docket No. OP-1338

Regulatory expectations and real estate appraisal and evaluation procedures for lending institutions are better addressed in the proposed guidelines. The guidelines are written for the regulated lending institution industry as a whole, which means that they must address a broad level of lending characteristics and available resources.

These guidelines represent the best opportunity in many years to "level the competitive playing field" around appraisal regulations among lending institutions. In practice, many smaller institutions have not had the same rigor around the appraisal ordering and review process that larger institutions have.

I encourage the regulatory agencies to consider these responses, communicate final documentation clearly across the industry, and work closely with those groups seeking consistent application of the regulations across the industry. Our comments follow the format presented in the guidelines and are described below.

II. Principal Elements of the Guidelines

Page 12 incorrectly states that the Self-Contained, Summary, and Restricted appraisal formats are no longer in effect. It should read that the Departure Provisions for Complete and Limited appraisal are no longer in effect.

III. Request for Comment

Good comments on independence between appraisers, lenders, and borrowers. The description using "isolated" on page 20 is well done.

The statement "provide for the receipt and review in a timely manner to facilitate the credit decision" on page 19 and again on page 37 needs to be specific. If it means a written review prior to closing and the final credit decision it should state so. Page 37 uses the word "should" be performed prior to the final credit decision.

On page 26, some clarification regarding deductions and discounts for the raw land component in tract development is needed. Should be only an "as-is" value, unless raw land in another phase of the development.

Page 28 includes a statement around valuations of properties with going concern. Some clarification may be needed here because some property types, such as hotels and C-stores, arguably include a going concern component by definitions. Is this comment to suggest that in even in these cases the value allocated to going concern must be identified?

The 1994 guidelines referenced certified and licensed appraisers when appraisals are required, and page 28 of the Proposed Guidelines again makes this reference. The Appraisal Subcommittee references certified general, certified residential and licensed appraisers, and have published recommendations as to property types and amounts that can be appraised by the different classifications. This is a good opportunity for the regulatory agencies to make some correlation between these two statements, and could provide some level of assistance in the selection of a "qualified" appraiser for an assignment.

In the Reviewing Appraisals and Evaluation section on page 37, the statement is made that the review "should" be performed prior to the final credit decision. Is there a need for interpretation here? It seems better stated as it either does or doesn't need be performed prior to the final credit decision.

Page 45, what constitutes "new money"? Is an advance over the current balance considered to be new funds, or is it simply new funds in excess of the original loan amount?

<u>Appendix A - Appraisal Exemptions</u>

Two areas where credit plays a significant role in the appraisal regulations are Abundance of Caution and the Business Loan Exemption. I found them to be reasonably well addressed in this section of the proposed guidelines, though better clarity and specifics here would help to provide consistency across the industry.

The word "should" is used when describing the sources of repayment for credit analysis around using the Abundance of Caution exemption. What are the expectations for file documentation? This seems to be a good opportunity to state specifics. Can property taken under Abundance of Caution have any bearing on loan to value?

The primary source of repayment for the Business Loan Exemption described on page 43 refers to income "from the property", while page 44 refers to the exemption from a global cash flow perspective. The Business Loan Threshold definition on page 58 again uses the statement "from the property". Here again, a good opportunity to apply specifics for consistent application across the industry. Does primary source of repayment regarding the Business Loan Exemption mean repayment from all sources and not simply the specific collateral taken for the transaction? Does primary source of repayment mean more that 50 percent? What are the expectations for documentation?

<u>Appendix B - Evaluation Alternatives</u>

The required supporting documentation for use of tax valuations is reasonably well described here.

<u>Appendix C - Glossary</u>

I would like to see additional definitions included in the glossary to further support the definitions applied in the industry and in USPAP, such as leased fee, fee simple, leasehold, and entrepreneurial profit. The importance of recognizing in-house leases for accounting purposes vs. market rentals rates would also be helpful here.

I hope that you find our comments helpful. Thank you for the opportunity to respond.

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