

TO: All State Chartered Banks
FROM: George E. Myers, Director of Examinations
DATE: May 24, 2000

SUBJECT: Use of County Tax Assessment Information for Evaluations

The purpose of this memorandum is to clarify that county tax assessment information may be used as part of an "evaluation" for real estate loans made under the FIRREA de minimis threshold of \$250,000¹ and greater than \$25,000 as defined by K.A.R. 17-11-21.

If the county tax assessment information is used as the basis for the evaluation, the officers/directors must show due diligence and review the tax information to determine its validity. The review must include a written reconciliation of the stated value, with proper consideration given to the market, cost, or income appraisal approach as the evaluation dictates.

As a reminder, K. A. R. 17-11-21 simply states the evaluation should be performed by either two officers or directors of the bank, or by a qualified individual who is independent of the bank.² Also, the land and building should be appraised separately,³ and the property should be actually viewed by the one(s) doing the evaluation.

The contents of the evaluation should include:

- 1) A legal description of the property, including street address (if available) and its present use;
- 2) The owner(s) of the property;
- 3) The type and general condition of improvements, including their approximate age, size and construction;
- 4) The basis for the appraised value⁴ – i.e. comparable sales of similar property, cost of replacement, or income derived from the property. Generally, a brief explanation, which demonstrates the value was determined in a logical manner, is sufficient. Again, information on comparable sales is preferable, but consideration will be given to the market area and level of real estate activity; and
- 5) The date of the evaluation and the signature and address of the appraisers.⁵

Attached please find a "Real Estate Evaluation Form" that you may find useful in completing your evaluations. The use of this form is not mandatory; it is provided merely as a tool for your use.

Should you have questions about this memorandum, please contact our office.

¹ Updated 2019. Threshold amount increased to \$500,000 pursuant to federal law change and Special Order 2018-1.

² Updated 2019. New language in the regulation says "independent of the transaction."

³ Updated 2019. Removes "Also, the land and building should be appraised separately" because this language is no longer in the regulation.

⁴ Updated 2019. Value described here is not "appraised" but estimated market value.

⁵ Updated 2019. The persons conducting the evaluations should be referenced as evaluators and not appraisers.