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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Public Hearing on Future Real Property Appraiser Qualification Criteria
June 25, 2010
Minneapolis, MN

Appraisal Subcommittee Staff Comments

First, I would like to thank the Appraiser Qualifications Board (AQB) and the Appraisal Foundation for hosting this important public hearing on the future of the Real Property Appraiser Qualification Criteria (Criteria). Secondly, thanks to both for inviting the Appraisal Subcommittee (ASC) staff to make comments. It is important to make clear that the following comments are those of the ASC staff and do not reflect positions or opinions of the ASC or its member Agencies.

For those who may not be aware of the ASC's role in the appraisal regulatory system, I would like to take a moment to briefly explain our role. Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) created an appraisal regulatory system consisting of three main participants: the States, the Appraisal Foundation, and the ASC. The ASC's mission has four main components: (1) monitor the States for compliance with Title XI, the Real Property Appraiser Qualification Criteria, and ASC Policy Statements; (2) monitor the requirements established by the Federal financial institutions regulatory agencies; (3) maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and (4) monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation. With regard to monitoring the States, the ASC staff conducts regular reviews of the State's appraiser regulatory programs for compliance with the mandates of Title XI.

Title XI also authorized the ASC to provide financial support through federal grants to the Appraisal Foundation to defray costs incurred by the Appraisal Standards Board (ASB) and AQB in carrying out their Title XI-related activities. In monitoring the activities of the Appraisal Foundation and its boards, the ASC staff regularly attends the Foundation, AQB, and ASB meetings and engages a public accounting firm to perform a financial audit to confirm that federal grant funds to the Foundation are used for Title-XI activities as specified in the grant request.

With regard to the AQB's authority under Title XI to issue minimum qualification criteria for certified appraisers, Title XI only provided specifics on one criteria that a certified appraiser had to pass a "suitable examination" consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the AQB. To accompany this examination requirement, the AQB also developed and issued qualification criteria for certified appraisers that included requirements for education, experience, and continuing education.

In February 2001, the AQB began a process of research and discovery to review the qualification criteria established after the enactment of Title XI. That process ultimately led to significant changes to the Criteria that became effective January 1, 2008. The new Criteria included numerous changes designed to elevate minimum appraiser qualifications to reflect the progress in the appraisal profession since 1989 as well as the contemporary needs of users of appraisal services, regulators, and consumers. Revisions such as increasing the education requirements for appraisers, and the introduction of the uniform national examination(s), appear to have been successful in promoting the goal of elevating the level of demonstrable qualifications. However, some of the Criteria could benefit from further clarification to ensure consistency in their

application by the State regulatory authorities. One example: when applying for a certified residential or general appraiser credential, the applicant must have an associate or bachelors degree, or in the alternative, the applicant must have successfully completed a set of core curricula. This “in lieu of” provision can be difficult, time consuming, and costly for the States to administer due to the fact that a title of a college course may not adequately define the content of the course. As an example, one of the subject matter courses acceptable under the AQB Criteria is “Finance.” However, there are many different genres of finance classes. While some are appropriate for appraiser education, others are not. During our Compliance Reviews we have come across finance courses that focus on teaching students skills such as how to balance a check book or create a family budget rather than skills relating to appraiser education such as how to develop a discounted cash flow analysis. The lack of specificity as to course content required by the Criteria does not provide adequate guidance, and causes the States and appraiser applicants to arrive at varying interpretations. This leads to potential inconsistency in the administration of the Criteria by the States, and poses a difficult challenge to the ASC in its oversight capacity of the States.

As the AQB begins its research and deliberation on whether or not appraiser qualifications need to be altered and/or amended, ASC staff believes focus should be on ensuring the current Criteria are effective, clear and enforceable. If provisions within the Criteria are ambiguous, varying interpretations by appraisers, as well as State and Federal regulators, render the Criteria difficult to enforce.

While ASC staff supports the AQB’s focus over the past ten years on raising the bar for entry to the profession, we urge consideration of the fact that there has been a significant decline in

appraiser population. Various States have indicated that the number of trainees has declined anywhere from 40%-70%. One of the difficult hurdles to entering the profession is the gaining of experience, which may be due to the fact that there is limited incentive for appraisers to train individuals who wish to enter the appraisal profession. This has led to a significant barrier to entry that likely was not intended. Therefore, as the AQB reviews the Criteria and considers additional qualifications, we urge consideration of ways by which the Criteria could establish means to encourage entry into the profession while maintaining the appropriate rigor in the minimum qualifications.

We appreciate the opportunity to share these comments from the ASC staff.