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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

October 13, 2020

Via Email: [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org)

Mr. Mark A. Lewis, Chairman  
Appraiser Qualifications Board  
1155 15<sup>th</sup> St. NW #1111  
Washington, DC 20005

Dear Chairman Lewis:

The Appraisal Subcommittee (ASC) staff appreciates the opportunity to comment on the Second Exposure Draft of *Practical Applications of Real Estate Appraisal* (PAREA). These comments reflect the opinions of ASC staff and are not necessarily those of the ASC or its member agencies.

We have supported the PAREA concept since the first Concept Paper was published over five years ago, as well as other paths to obtaining an appraiser credential. However, significant questions that could undermine its success remain unanswered, including:

- cost to potential users
- investment to develop the training
- approval by States

The AQB maintains that PAREA is intended to satisfy the experience requirement, not education. The experience component of the *Real Property Appraiser Qualification Criteria* (Criteria) has been a significant barrier to entry for decades. This has taken on even more relevance considering the lack of diversity among appraisers.

If the AQB were to consider an alternative path to credentialing that did not include an experience component, PAREA could offer a hybrid solution as simulated experience in an educational environment. Title XI does not require experience. Therefore, PAREA as an education component could compliment an entirely different approach, such as an examination, in lieu of experience, that demonstrates practical application of appraisal theory and practice, similar to the legal and accounting professions. Using a practice-based examination without the need for experience would follow the model Congress recommended in a report<sup>1</sup> on the initial implementation of Title XI.

The PAREA outline indicates that any PAREA program must be approved by the AQB. The approval of PAREA programs could instead be modeled after the Course Approval Program (CAP) which would allow the AQB to approve voluntarily submitted PAREA programs, and at the same time, allow the States to do so as well. The proposed Guide Notes are well thought out, comprehensive and would provide States with the ability to approve PAREA. This approach could increase the speed with which this concept can be brought to the marketplace.

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<sup>1</sup> H.R. REP. No. 101-981, at 10 (1990).

PAREA as proposed is eligible to satisfy 100% of the Criteria's experience requirement. States can be more restrictive and allow only a portion of the required experience to be completed via PAREA. If the programs were designed in distinct modules (*e.g.*, by topic area or type of property), PAREA could gain more acceptance. For example, an appraiser who has no experience with Small Residential Income Property appraisals and wants to gain such experience could train using a module specifically designed for that purpose. Modules could also make PAREA more affordable and accessible.

The Mentor qualification requirements as proposed appear to be less than the Criteria's existing Supervisory Appraiser requirements. For example, Mentors are not required to take the Supervisory Appraiser Course; given the lack of prerequisites proposed for Mentors, the same shortcomings that exist with Supervisory Appraisers could carry over to Mentors. They could even be amplified since there is no limitation on the number of Trainees under a Mentor. Moreover, the financial incentive for having numerous Trainees could be significant. Additionally, the qualification requirements as proposed prohibit individuals who could be qualified such as retired appraisers, formerly credentialed appraisers, professional educators and those simply not active on the Appraiser Registry from becoming Mentors.

Finally, as proposed, PAREA creates a linear path to licensing or residential certification by requiring completed education before PAREA can be started. This differs from the existing Criteria by increasing the time required to obtain a credential, and thereby could pose a barrier to entry for a more diverse set of candidates.

The general concept of PAREA is a good one and we appreciate the hard work the AQB has put into this concept. We are particularly appreciative for the opportunity to share our thoughts and concerns for the AQB's consideration before adoption.

Please contact us if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "James R. Park", is written over the typed name and title.

James R. Park  
Executive Director