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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 27, 2000

AQB Comments
The Appraisal Foundation
1029 Vermont Avenue, NW
Suite 900
Washington, DC 20005-3517

Dear Sir or Madam:

Thank you for the opportunity to comment on the Appraiser Qualifications Board's ("AQB") May 10, 2000 Exposure Draft regarding a number of actions designed to improve the quality and consistency in the instruction of the Uniform Standards of Professional Appraisal Practice ("USPAP"). The Appraisal Subcommittee ("ASC") shares your concerns about the lack of uniformity and quality in USPAP course materials and course instructors. We strongly support your efforts to improve USPAP education, particularly in these areas. Effective USPAP education is fundamental to ensuring the proficiency of State certified or licensed real estate appraisers as required by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

The Exposure Draft proposes the following new features:

- Real estate appraiser Applicants would need to take the Appraisal Standards Board's ("ASB") 15-Hour National USPAP Course, and credentialed appraisers would be required no less than every two years to take as continuing education the ASB's 7-Hour National USPAP Update Course. Other USPAP courses could be accepted, provided the AQB deems them "equivalent" to the ASB courses through the AQB's Course Approval Program ("CAP");
- A Certified USPAP Instructor Program would be instituted, requiring instructor applicants to take a two-day USPAP course and pass a comprehensive examination. In addition, an instructor applicant would have to: (1) be a qualified appraiser; (2) have at least five years teaching experience or at least seven years of appraisal experience and 35 contact hours of teaching experience; (3) sign certain formal undertakings with the Appraisal Foundation. Certified instructors would be issued a certification credential and would be listed in an AQB Registry of Certified USPAP Instructors. Certified instructors would have to attend a USPAP update session no less than every two years. The AQB could remove instructors from this list for as yet unspecified reasons to be set out in "The USPAP Teaching Policy"; and
- A USPAP Instructor and Evaluation Policy for National USPAP Providers would be established. This policy, among other things, would require education providers to select and retain instructors meeting the AQB's requirements; to provide students with certain written disclosures; and to meet specific student course and student instructor evaluation standards.

As noted above, we strongly support your initiative and urge you to continue its development on a priority basis. The ASC staff, nevertheless, believes that the Exposure Draft can be improved in a number of ways and offer the following comments for your consideration. For ease of reference, we have presented our comments according to the Parts identified in the Exposure Draft.

**Part A: Education &
Part B: Continuing Education**

1. While the AQB can establish minimum mandatory criteria for State certified appraisers, it only can recommend minimum criteria for Licensed real estate appraisers;
2. Please remove the apostrophe in “its” in the second line of § 2.2.b.;
3. Section 2.2.b.(2) erroneously refers to continuing education; the Interpretation’s general subject is qualifying education;
4. To ensure that persons are able to obtain the necessary teaching experience to qualify for instructor certification and for internal consistency purposes, § b.(2) of both Parts should be changed to state that education “credit shall only be awarded when the class is instructed by at least one AQB Certified Instructor”;
5. Because ASB USPAP courses or courses deemed equivalent through CAP will be required for initial and continuing education, the cost of course related materials provided by the ASB through the Appraisal Foundation to education providers should not exceed the direct expenses to the Foundation for producing those materials; and
6. Because ASB USPAP courses or courses deemed equivalent through CAP will be required for initial and continuing education, the AQB will need to ensure that CAP will perform its duties quickly and inexpensively. CAP’s fees for approving equivalent USPAP courses should be nominal and designed to recover only direct administrative costs.

Part C: USPAP Instructor Minimum Competency

1. The phrase, “two-day class designed specifically for USPAP instructors by the Appraisal Standards Board,” should be replaced with the phrase, “National USPAP Instructor Training Course”; and
2. The phrase, “USPAP update session,” should be replaced with the phrase, “National USPAP Update Seminar and receive a passing grade on the examination.”

Part D: Proposed USPAP Instructor Certification Policy

1. The requirement in paragraph A. that real property USPAP instructors must be qualified State certified appraisers, and the two experience requirements in Paragraph B. should be moved to Part C. These requirements are minimum competency standards for USPAP instructor certification – if a person does not meet them, he or she is not qualified, *i.e.*, competent, to be an AQB-certified USPAP instructor;
2. Please define the term, “contact hours”;
3. Paragraph A.’s subparagraph, beginning with “real property appraisers,” is redundant with the language in Parts A and B stating that education credit shall be only awarded when taught by an AQB-certified instructor and should be deleted;
4. Paragraph C is no longer needed in view of the suggested edits to Part C;
5. Move into Part C Paragraph D.’s requirement for signing a written document agreeing to the “USPAP Instructor Teaching Policy” and Paragraph E.’s substantive language

pertaining to the issuance of a certification credential and being listed in the AQB's Registry of Certified USPAP Instructors; and

6. The AQB should have included the draft language of the "USPAP Instructor Teaching Policy" in the Exposure Draft. As stated in Part F, this document, "will, among other things[,] identify why and under what circumstances a teacher will be removed from USPAP certified status." We presume that this means removal from the AQB's Registry of Certified USPAP Instructors. Removal of an individual's certified status would be a significant event and, in all likelihood, could severely affect the individual's ability to make a living. The fundamental nature of this document, in our view, requires the AQB to expose it to public comment. Finally, we strongly urge the AQB to provide persons alleged to have violated the Teaching Policy with adequate due process before their removal from the AQB's Registry.

Part E: Proposed USPAP Instructor and Evaluation Policy for National Course Providers

We believe that this entire part should be removed. The AQB's authority under Title XI does not extend to "National Course Providers." We also believe that Title XI's split of authority between the Federal financial institutions regulatory agencies and the ASC, the States, and the private sector (*i.e.*, the Appraisal Foundation and its Boards) contemplates that such authority rests with the States.

Part F: USPAP Instructor Certification – Terminology Overview

The substantive provisions of the "USPAP Instructor Performance Standards Document" should be incorporated within the "USPAP Teaching Policy," consistent with our comments above.

Finally, we urge you to work closely with all interested segments of the appraisal community to ensure that their interests are considered in this process. Their cooperation in your efforts is critical to the exposure draft's ultimate acceptance and success. In particular, the AQB should be sensitive to preserving as much as possible competition in the educational provider marketplace and among instructors. The AQB, in particular, should consider the effects of its initiative on small education providers. These providers, among other things, provide educational services to remote parts of the United States and its territories.

Thank you again for the opportunity to comment. Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director