

□   □   □   □   □   □

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

July 28, 2010

Sandra Guilfoil, Chairman  
Appraisal Standards Board  
The Appraisal Foundation  
1155 15<sup>th</sup> Street, NW Suite 1111  
Washington, DC 20005

RE: Appraisal Subcommittee Staff Comments on the Second Exposure Draft of  
Proposed Changes for the 2012-13 edition of the *Uniform Standards of Professional Appraisal  
Practice*

Dear Chairman Guilfoil:

The Appraisal Subcommittee (ASC) staff appreciates the opportunity to comment on the Second Exposure Draft. The following comments reflect only the opinions of the ASC staff, and are not the opinions of the ASC or its member agencies.

Title XI empowered the ASC with the responsibility to monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation and its boards. Title XI also empowered the ASC with the authority to oversee the functions of States' appraiser regulatory programs. Additionally, the ASC is responsible for ensuring that States effectively enforce credentialed appraiser's compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) when performing appraisals in connection with federally related transactions. Accordingly, ASC staff has reviewed the Second Exposure Draft particularly in light of whether the proposed changes would enhance the understandability and enforceability of USPAP.

ASC staff appreciates the complexity of the topics that the Appraisal Standards Board (ASB) has addressed in the Second Exposure Draft. As with the First Exposure Draft of proposed changes for the 2012-13 edition of USPAP, the Second Exposure Draft introduces significant changes to several concepts and standards within the existing USPAP. However, the ASB has not fully articulated a compelling rationale for several of the proposed changes, or how these changes enhance the understandability and enforceability of USPAP. Thus, ASC staff encourages the ASB to provide a detailed rationale that addresses the logic, analysis, and objective(s) in support of specific changes proposed. Such information would enhance the effectiveness and efficiency of the public comment process.

To be more specific, the exposure draft focuses on two fundamental concepts: (1) an appraiser's responsibilities regarding communications with a client, including those communications that occur prior to completion of an assignment; and (2) the reporting of an appraiser's analyses, opinions, and conclusions, and the related reporting options. ASC staff agrees that both are important concepts that need to be reviewed and possibly addressed by the ASB in an effort to improve the understandability and enforceability of USPAP.

Understandability of USPAP is essential to the States' responsibility to ensure that credentialed appraisers comply with USPAP, and further, that complaints filed against appraisers are resolved in an appropriate and timely manner. During Compliance Reviews of States' appraisal regulatory programs, ASC staff has learned of instances where State regulators have encountered challenges with enforcement of certain USPAP requirements related to the concepts in the exposure draft. As an example, some appraisers under investigation for USPAP violations have attempted to thwart disciplinary action by claiming that the transmitted report was only a draft or preliminary communication. In other instances, appraisers have submitted appraisals to clients under the auspices of draft or preliminary conclusions for the sole purpose of obtaining concurrence of assignment results prior to providing the final report, thereby giving the appearance of a predetermined result, or even advocacy on the part of the appraiser. ASC staff is also aware that State regulators have experienced difficulty determining the level of content and detail needed to comply with STANDARD 2 minimum reporting requirements for the three reporting options (Self-contained Appraisal Report, Summary Appraisal Report, and Restricted-use Appraisal Report). This is primarily due to the fact that the terms used to describe the content and detail required by the three reporting options are arguably synonymous: i.e., "describe," "summarize," and "state."

Neither the rationale nor the proposed changes themselves included in the exposure draft provide a compelling argument that any of the proposed USPAP changes would improve overall understandability and enforceability of USPAP. ASC staff encourages the ASB to reconsider the breadth of the proposed changes, and to address within any subsequent exposure material an analysis of the public comments received along with justification and supporting rationale for significant proposed changes to USPAP.

Again, ASC staff appreciates the opportunity to comment on the Second Exposure Draft. We recognize the complexity of the issues the ASB is addressing and your commitment to promoting and maintaining a high level of public trust in appraisal practice and the profession.

Sincerely,

James R. Park  
Executive Director