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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 12, 2016

VIA Email

Ms. Margaret Hambleton, Chair
Appraisal Standards Board
The Appraisal Foundation
1155 15th Street NW, Suite 1111
Washington, DC 20005

Dear Chair Hambleton:

The Appraisal Subcommittee (ASC) staff appreciates the opportunity to comment on the Appraisal Standards Board (ASB) Second Exposure Draft of Proposed Changes for the 2018-2019 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). The following comments reflect the opinions of ASC staff, not the opinions of the ASC or its member agencies.

Regarding lines 24-26 and lines 67-70 of the Exposure Draft:

While certain clients and intended users of appraisal assignments may benefit from these proposed changes, we are concerned that the majority of users of appraisal services and the public may be confused about the appropriate use of preliminary or draft reports, and could be harmed by the lack of a requirement to retain copies of these documents in the appraiser's work file. For example, some users of appraisal services may be encouraged to require draft reports in advance of the final Report as a routine practice for some types of transactions. In addition, if it becomes common practice for appraisers to only retain the final draft or "Report" in their work file, States may be less able to effectively investigate appraisal matters and appraisers may be less able to defend themselves. It is difficult to see how these proposed changes do not, at a minimum, create a pathway for attempts to compromise appraiser independence.

We understand that appraisers currently may provide draft reports. However, this practice is largely regulated by State law. A number of States use language in their statutes and regulations that is similar to the definition of appraisal report from USPAP as it exists today: "any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client upon completion of an assignment." This definition has essentially remained the same since 1987. Over the past 29 years, States have embedded this definition in their statutes, regulations, policies and procedures. Therefore, conflicts may arise with the new language requiring amendments to State law, regulations, policies and procedures. Some States may view these changes as limiting their ability to adequately protect their constituents and may elect not to change their definition(s).

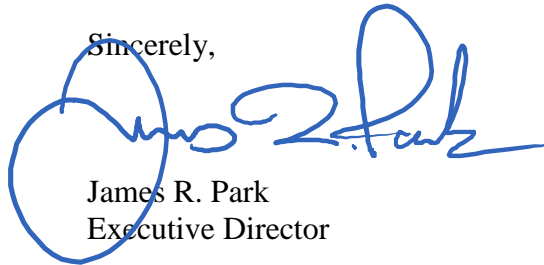
The Rationale indicates that the problem the ASB is trying to solve is the following:

Enforcement officials and others have voiced concerns about appraisers who issue multiple documents (some with a signed certification) in an assignment and the attempt to disavow responsibility for prior iterations because they were not transmitted “upon completion of the assignment” as specified in the current USPAP definition of report.

ASC staff is not aware of this issue being a widespread enforcement impediment. This may be a matter better left to State enforcement or business practices rather than initiating a change to USPAP. Appraisers and their clients should be encouraged to establish when a service is complete through negotiated contractual agreements, not as a matter of appraisal standards.

Finally, ASC staff commends the ASB for the proposed addition of Advisory Opinion 37, *Computer Assisted Valuation Tools*, given the advances in appraisal technology, but questions whether retirement of Advisory Opinion 18, *Use of an Automated Valuation (AVM) Model*, would be premature. Advisory Opinion 18 includes information that is currently valuable to appraisers and users of appraisal services.

Sincerely,

A handwritten signature in blue ink, appearing to read "James R. Park", is written over the typed name and title. The signature is fluid and cursive, with a large initial "J" and "P".

James R. Park
Executive Director