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Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 10, 2005

Subject: 2008 Real Property Appraiser
Qualification Criteria Implementation

Dear State Appraiser Regulatory Official:

On February 20, 2004, the Appraiser Qualifications Board (“AQB”) of the Appraisal Foundation adopted changes to the *Real Property Appraiser Qualification Criteria* that will become effective on January 1, 2008 (“2008 Criteria”). ***States must implement the 2008 Criteria for certified residential and certified general appraisers by January 1, 2008.*** States also may choose to adopt the 2008 Criteria for licensed appraisers and trainees.

The purpose of this document is to assist State appraiser regulatory agencies (“States” or “State agencies”) in their adoption and implementation of the 2008 Criteria. We provide questions/answers and discussions regarding various aspects of the 2008 Criteria, the decisions that States must make, and various implementation issues. The purpose of this document is **not** to repeat the Criteria or other documents provided by the Appraisal Foundation and the AQB.

The Foundation and the AQB have issued several documents designed to assist States, education providers, and individuals seeking to become appraisers. These documents include:

- *The Real Property Appraiser Qualification Criteria and Interpretations to the Criteria;*
- *A Guide for Understanding the 2008 Real Property Appraiser Qualification Criteria;*
- *Executive Summary of the 2008 Real Property Appraiser Qualification Criteria;* and
- *Student Course Content Tracking Manual* (forthcoming).

Additionally, the Foundation is sponsoring and conducting a series of AQB Criteria Implementation Seminars with speakers from the Foundation, AQB, ASC, States, and education providers.

The 2008 Criteria include significant changes in qualifying education. These include: (1) college-level course requirements; (2) significant increases in the required number of classroom hours; and (3) minimum classroom hour requirements in specific topic areas, known as modules.

- **How States can implement the 2008 Criteria - Segmented vs. Firm Date options.**

States may choose to implement the 2008 Criteria on a “segmented” or a “firm date” basis. Under a segmented basis, a State (“Segmented State”) determines when a component of AQB Criteria (*i.e.*, experience, education, or examination) was completed, and then determines

whether the applicant conformed to the AQB Criteria in effect *at the time that component was completed*. Under this approach, an applicant can conform one Criteria component to one set of Criteria (e.g., “education” meeting the 2003 Criteria) and another component to a different set of Criteria (e.g., “experience” meeting the 2008 Criteria). Under a firm date basis, an applicant must conform to all components of the Criteria in effect at the time the appraiser credential is issued. Please refer to the Foundation and AQB documents listed on the first page of this letter for detailed discussions regarding these options.

- **The 2008 Criteria do not become effective for several years; why do I need to think about this now?**

First, States will need to adopt statutory and/or regulatory changes to implement the 2008 Criteria. Changing statutes or regulations is a time-consuming process. That process is further complicated by some State legislatures meeting less frequently than annually. These changes need to be initiated as soon as possible to allow for unforeseen delays or complications that frequently occur while changing statutes and regulations.

Second, States need to choose as soon as possible which implementation option to use. Choosing expeditiously is particularly important if a State is considering the firm date option (“Firm Date State”). In a Firm Date State, certified appraiser credentials issued on or after January 1, 2008, must be supported by education, experience, and successfully passing an examination that conform to the 2008 Criteria. Because AQB Criteria require that experience to qualify for a certified general credential must be earned in no less than 30 months, individuals seeking the certified general credential in a Firm Date State who begin earning experience on or after **July 1, 2005**, will be required to conform to the 2008 Criteria for **all** components (*i.e.*, education, experience, and examination). For individuals seeking the certified residential credential, the equivalent date is January 1, 2006. Both dates are approaching rapidly.

- **What happens if a State fails to choose an implementation approach?**

If a State fails to choose either the firm date or segmented option in time to adopt and implement necessary statutory and/or regulatory changes by January 1, 2008, the ASC will measure that State’s compliance on January 1, 2008, as if the State had chosen to implement the 2008 Criteria on a firm date basis. The ASC also will apply this policy to States that choose the segmented option, but fail to adopt and implement the necessary statutory and/or regulatory changes to support that option.

- **Will the ASC provide Firm Date States with any flexibility regarding credential issuance dates?**

To provide reasonable flexibility to Firm Date States, within certain parameters the ASC will measure compliance on the basis of **application date** instead of credential issuance date. The ASC will measure compliance based on application date under the following conditions:

- The application must be a “complete application.” The term “complete application” means that the application for certification contains *every* item of documentation required under State law for the State’s decision makers to grant or deny certification to the applicant. Supporting documentation may include not only documentation of adequate

experience, education, and examination results, but also such documents as letters of good standing or credential histories from other States, reviews of applicant work products (*e.g.*, appraisal reports), and any other documents and/or actions determined necessary by the State to make a final credential issuance decision. A complete application is one where the only thing missing is the State's actual final decision to issue a certificate.

If, for example, a State requires applicants to submit appraisal reports for review, the application is **not** complete until the reports have been reviewed and returned to the credential issuance decision-makers. The fact that the applicant has submitted the appraisal reports does not constitute a complete application;

- If a Firm Date State wishes to use the application date instead of credential issuance date, the State needs to determine what constitutes a complete application for that State. In other words, the State needs to determine what documentation must be "in hand" to make a credential issuance decision. Then, the State needs to ensure that its decision makers are aware of those requirements and apply those requirements when evaluating appraiser applications;
- State decision makers need to determine by the close of business, December 31, 2007, which applications are, or are not, complete;
- Each State must maintain adequate documentation to support the determination that each application is complete when issuing each certified credential; and
- The ASC will provide this application date flexibility for all credentials issued not later than January 31, 2008. Certified credentials issued on or after February 1, 2008, must conform to the 2008 Criteria.

- **What if a Firm Date State still needs more time?**

The ASC, on a case-by-case basis, may provide additional time beyond January 31st to enable Firm Date States additional time to process complete applications. A State may make a written request for additional time to the ASC.

A request for an extension will need to be received by the ASC no later than January 31, 2008. Each request will need to include all pertinent facts relating to the certificate issuance delay, the reasons why a time extension is necessary, and the specific length of the requested extension period.

States have almost three years to prepare for 2008 Criteria implementation. We expect States to plan appropriately. We do not anticipate approving an extension for a State that failed to consider its Criteria implementation needs and plan accordingly. For example, the ASC will not grant an extension to a State because its appraiser board failed to schedule a meeting at which it could approve applications in December 2007, and/or January 2008.

- **What is the impact of adopting and implementing the 2008 Criteria early?**

We need to make sure everyone understands how we use the terms “adoption” and “implementation.” Adoption is the process of proposing and approving the necessary statutory, regulatory, and/or policy changes to authorize the State appraiser regulatory agency to implement the 2008 Criteria. Implementation is the actual carrying out of the Criteria. States usually adopt statutory or regulatory changes with delayed implementation dates. For example, a State might adopt the 2008 Criteria in mid-2007, with a January 1, 2008 implementation date.

Some States might choose to implement the 2008 Criteria prior to January 1, 2008. Such action would be permissible under Title XI because the 2008 Criteria exceed the existing Criteria. Two primary considerations come to mind:

- **Temporary Practice:** During this transition period to the 2008 Criteria, we remind States that temporary practice is mandatory, and must be issued if the property to be appraised is part of a federally related transaction, the appraiser’s business is temporary, and the appraiser registers with the State of temporary practice. For more information, please see ASC Policy Statement 5 on the ASC’s Web site.
- **Reciprocity:** Reciprocity is encouraged, but not required, by Title XI. Therefore, we encourage States not to limit reciprocity based on whether another State has or has not adopted and implemented the 2008 Criteria early.

We remind States implementing the 2008 Criteria early that, until January 1, 2008, the ASC must use the 2003 Criteria to measure State compliance with Title XI. We do not expect that this will be problematic because the 2008 Criteria’s requirements for certification generally exceed those in pre-2008 Criteria.

- **What happens if a State does not implement the 2008 Criteria by January 1, 2008?**

Beginning January 1, 2008, States may issue Title XI-recognized certified appraiser credentials only to individuals who conform to the 2008 Criteria. Certified appraisers who have been credentialed without conforming to the 2008 Criteria will not be legally eligible to perform appraisals in connection with federally related transactions. The issuing State will be required to downgrade these credentials to a non-certified level. Alternatively, the State could issue a certificate to the appraiser over stamped conspicuously, “Not Eligible to Appraise Federally Related Transactions.” Such appraisers would not be listed on the National Registry because they would not be eligible to perform appraisals in connection with federally related transactions. These restrictions would apply to individuals obtaining an initial certified credential and to existing credential holders upgrading to either the certified residential or certified general classifications.

- **What is the ASC doing to assist States in their implementation efforts?**

The ASC is monitoring each State’s 2008 Criteria adoption and implementation efforts. We are doing this in several ways:

- Your ASC Policy Manager will continue to communicate with you informally about your implementation plans, decisions, and progress. We strongly encourage you to contact us by telephone, email, or in writing regarding any questions that you may have about adopting and implementing the 2008 Criteria;
 - When conducting field reviews of State appraiser regulatory programs, we will continue evaluating your progress towards adopting and implementing the 2008 Criteria. During our field reviews we will place special emphasis on discussing the 2008 Criteria with board members, staff, legal counsel, and other interested parties;
 - As you draft needed statutory or regulatory amendments, we strongly urge you to send them to us for our informal review, therefore avoiding future compliance problems; and
 - We are tracking each State's implementation progress on our Web site. Please see the chart in the "2008 AQB Criteria Implementation" section of the "State Appraiser Regulatory Agencies" section of our Web site. Please notify us about changes to the information on that chart as they occur.
- **Is there anything else that the ASC can do to assist States in implementing the 2008 Criteria?**

Yes, ASC staff is available to attend meetings with State agency decision makers, agency staffs, education providers, State legislators, and others to answer questions or provide other assistance to facilitate the 2008 Criteria implementation process. If you would like an ASC representative to attend a meeting in your State, please contact your Policy Manager or myself. We will make every effort to accommodate your request.

Please contact us if you have any questions.

Sincerely,

Ben Henson
Executive Director