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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

November 17, 2004

**Subject: Areas of Concern**

Dear State Appraiser Regulatory Official:

During the Fall conference of the Association of Appraiser Regulatory Officials (“AARO”), we discussed three areas of concern that ASC staff have observed while conducting field reviews in 2003 and 2004. AARO’s Board of Directors suggested that we notify all States about these concerns.

If your State is, or might be, involved in any of the following situations, we encourage you to contact your ASC Policy Manager to discuss appropriate actions. The sooner a State identifies and corrects its practices in these areas, the fewer the number of appraisers that will be impacted.

- **Appraiser Qualifications Board (“AQB”) criteria regarding appraiser examination validity**

On April 26, 2000, the AQB adopted a criteria interpretation specifying that a successfully completed State license or certification examination is valid for 24 months. The AQB notified States of this interpretation in an April 28, 2000 letter and has included the interpretation in each version of the *Real Property Appraiser Qualification Criteria and Interpretations of the Criteria* issued since that date. This interpretation became effective July 1, 2000.

If an applicant who passed an examination does not obtain the related appraiser credential within 24 months from passing the examination, that examination result loses its validity to support issuing an appraiser credential. To regain eligibility for the credential, the applicant must “re-take” and pass the examination. This interpretation applies to individuals obtaining a certified credential initially or upgrading from a lower level credential to either the certified residential or certified general classification.

If a State has issued certified appraiser credentials supported by examinations more than two years old, the State needs to identify the affected appraisers and notify them that they need to re-take the examination. The State will have to remove from certified status any affected certified appraiser who fails to re-take and pass the appropriate examination.

- **Acceptance of affidavits for experience or education without a reliable means of validating the affidavits**

ASC Policy Statement 10 provides that States, at a minimum, should have a reliable means of validating both the education and experience credit claimed for certification or licensing. It also states that the lack of routine verification procedures is both an invitation to potential fraud and a threat to the integrity of a State’s appraiser regulatory program.

If a State accepts affidavits from applicants for initial certification or certification renewal, the State must have a reliable means of validating the claims made on the affidavits. States usually accomplish validation by auditing some portion of the applications. If a State fails to employ a reliable validation procedure, the State will be required to conduct such a validation after our field review. This validation process would entail identifying appraisers who have submitted affidavits; determining and selecting an appropriate audit sample; conducting audits of the selected appraisers; and taking appropriate disciplinary actions against appraisers who cannot support their affidavits.

States should be aware that, on August 11, 2004, the ASC amended Policy Statement 10 by adding a new paragraph (F) regarding the acceptance of affidavits by States. The new provision becomes effective on January 1, 2005.

- **Failure to adopt and implement the January 1, 2003 changes to AQB criteria**

We have observed during our 2003 and 2004 field reviews, that several States have failed to implement the January 1, 2003 AQB criteria regarding the 15-hour National USPAP Course and the 7-hour National USPAP Update Course. If a State fails to require its applicants or appraisers to take the appropriate course for initial certification or certification renewal, the State will need to identify all certified appraisers who should have taken one of the two courses and require those appraisers to take the appropriate course. The State will have to remove from certified status any certified appraiser who fails take the appropriate USPAP course within a specified time period.

Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director