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Appraisal Subcommittee

Federal Financial Institutions Examination Council

January 22, 1999

Elbert N. Dillard, IFAS
Dillard Realty Agency
116½ East Monroe Street
Herin, IL 62948

Dear Mr. Dillard:

Thank you for your December 28, 1998 regarding the scope of practice for certified residential appraisers. In particular, you would like to know “what the current ‘thresholds’ applicable to this category of appraisers are as to dollar amounts and/or degree of complexity or other criteria that either limits or expands the permitted practice of such appraisers within the framework of federally related transactions.”

Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“Title XI”) created an appraiser regulatory program based on a unique partnership between the Federal and State governments and The Appraisal Foundation, a private, non-profit organization. Title XI authorized The Appraisal Foundation to establish uniform practice standards for licensed and certified real estate appraisers and minimum education, experience, and examination requirements for certification. Under Title XI, the Federal financial institutions regulatory agencies (“Agencies”) determined by regulation when regulated financial institutions must use licensed or certified appraisers.

Agency regulations do not specifically establish a scope of practice for the certified residential classification. Originally, licensed individuals largely were residential appraisers and certified individuals primarily were commercial appraisers. The Agencies, however, determined generally that licensed appraisers also could appraise non-complex, non-residential property, if the transaction value is \$250,000 or less for banks and thrifts, or \$100,000 or less for credit unions. The Agencies discussed their actions in the preambles to their regulations, which may be found in the appropriate issues of the *Federal Register* or by contacting the Agencies directly. There, the Agencies defined the terms “complex” and “atypical” and informed financial institutions how they can determine which appraiser classification to use. You should refer to the Agencies’ regulations for more information regarding regulated lending practices.

The certified residential classification was created in 1991 by the Appraiser Qualifications Board (“AQB”) and endorsed by us. The purpose of the classification was to fulfill an expressed need for a somewhat more skilled appraiser to appraise high value residential properties. Under Title XI, each State is authorized to establish an appraiser regulatory program that meets the needs of that State, provided that program does not conflict with Federal statutes or regulations. Thus, a State may choose to establish a certified residential classification. If a State establishes this classification, it must meet the AQB’s minimum criteria.

We hope this information is helpful. Please contact us if you have any additional questions or concerns.

Sincerely,

Ben Henson
Executive Director