

**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

April 26, 1996

Ms. Patricia W. DiMuzio  
Associate Director, Regulation Development  
Office of Examination  
Farm Credit Administration  
McLean, VA 22102-5090

Dear Ms. DiMuzio:

The staff of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council ("ASC") has reviewed your proposed rule amending 12 CFR Parts 614 and 619, and while we are not directly affected by the rule, we believe that language in the preamble regarding the Uniform Standards of Professional Appraisal Practice may be confusing. We would suggest that the following changes be made in Section III:

- On page 16409 of the Federal Register, in the first full paragraph, you state: ".The FCA believes certain minimum requirements for collateral evaluations will sufficiently document valuations for loans qualifying under the small loan program and meet **the central, but not all**, requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) guidelines." (Emphasis added).

We first suggest the elimination of the word guidelines. USPAP represents the minimum standards of the appraisal profession as published by the Appraisal Standards Board, they are not guidelines. In the States, certified and licensed appraisers are required by State law to perform appraisals in accordance with USPAP and the standards are either written into State regulations or adopted by reference.

It would appear that FCA has less than a full understanding of the requirements of USPAP and what an appraiser can perform as a limited appraisal. If the appraiser is allowed to invoke the Departure Provision of USPAP, the appraisal must conform only with Standards Rules 1-1 and 1-5. We do not believe that these requirements are onerous. However, if the FCA intends that appraisers do not need to conform to these Standards, we would suggest that you spell out in detail the additional Departure which is acceptable to the FCA and allow the appraiser to use the Jurisdictional Exception in performing these reduced evaluations.

- In the second paragraph you refer to ". . . the use of a limited or restricted appraisal."

The correct terminology in USPAP is "complete" or "limited" appraisals and "self-contained," "summary" or "restricted" appraisal reports. Complete and limited real property appraisals are covered by Standards Rule 1 and the real property appraisal reporting options are covered by Standards Rule 2.

- Also in that paragraph you refer to "State-sanctioned (certified or licensed) appraisers."

We would suggest that you use the direct term "State certified or licensed appraisers." A "State sanctioned appraiser" would be thought of as one who had been "sanctioned" (disciplined) for a USPAP, or other, violation of State licensing requirements.

- Further along in that paragraph you state that "the proposed exclusions of the provisions contained in Sec. 614.4250 (a) (4) through (a) (6) **may cause the resulting evaluations not to comply with USPAP and State certification or licensing standards in certain instances.**"(Emphasis added).

As we pointed out previously, all of the States require that certified and licensed appraisers comply with USPAP. If FCA believes that the performance of a limited appraisal conforming to USPAP is onerous and that something less should be allowed, we strongly recommend that you spell your requirements out in detail to allow the appraiser to invoke the Jurisdictional Exception in those cases. Doing anything less will create havoc with State appraiser regulatory agencies' enforcement efforts.

Thank you for the opportunity to comment on your regulation. We appreciate the need to simplify the appraisal and reporting process in low risk small loan programs. We, however, believe that what you really want to accomplish is; 1. the use of certified and licensed appraisers, 2. the performance of limited appraisals, and 3. The use of summary or restricted reports in the cases where this is appropriate. We hope that further comments you will receive from appraisers regarding what they are allowed to do in these cases will make this clear to you. If you have any questions feel free to call.

Sincerely,

Edwin Baker  
Executive Director