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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

January 18, 2000

Luten L. Teate, MAI  
Cushman & Wakefield of Georgia, Inc.  
Valuation Advisory Services  
3300 One Atlantic Center  
1201 West Peachtree Street  
Atlanta, GA 30309

Dear Mr. Teate:

Thank you for your November 1, 1999 letter regarding differing State temporary practice requirements and procedures. We apologize for the delay in responding, but we had to contact and obtain updated information from the States you identified. You stated that your office was estimating for a single client the value of several stores in regional malls scattered throughout the Southeast, with three to eight stores being located in each of four States. You contacted the States regarding obtaining temporary practice permits and noted that South Carolina and Kentucky charge a single fee for a temporary practice permit, regardless of the number of properties involved, provided the client is the same. On the other hand, Alabama and Tennessee require a temporary practice permit for each property. You asked us to confirm your understanding that States should award temporary practice permits on an assignment, not a per property, basis.

States must provide temporary practice on a per assignment basis, *i.e.*, in the manner provided by South Carolina and Kentucky. Section 1122(a) of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("Title XI"), 12 U.S.C. 3351(a), requires States to provide temporary practice and prohibits State appraiser regulatory agencies ("State agencies") from imposing excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee ("ASC"). *ASC Policy Statement 5: Temporary Practice* sets out the ASC's formal interpretations regarding temporary practice, including what the ASC considers are excessive fees and burdensome requirements. *See* 62 F.R. 19755 (April 23, 1997). There, the ASC stated its view "that 'temporary' is best measured by one or more specific appraisal assignments. For temporary practice purposes, the ASC regards the term 'assignment' as meaning one or more real estate appraisals and written appraisal reports which are covered by a contract to provide an appraisal." Awarding temporary practice permits on a per property basis, when multiple properties are covered by a single assignment for a single client, therefore, is inconsistent with Title XI and Policy Statement 5.

This view is further supported by the ASC's prohibiting States from charging more than \$150 for temporary practice. In your example, assume that five stores are located in each of Kentucky and Alabama and that they charge \$75 per permit. (In fact, Kentucky charges \$50, and Alabama charges \$75.) In Kentucky, you would have to pay \$75 for your temporary practice permit covering all five properties. In Alabama, however, you would have to obtain five separate permits costing \$375. Clearly, Alabama's charge would be excessive under Title XI and Policy Statement 5. At most, Alabama may charge the appraiser a maximum fee of \$150.

We have been working with Alabama and Tennessee regarding their temporary practice provisions. In our January 15, 1999 field review letter to Alabama, we noted that the State must revise its temporary practice provisions to comply with Title XI and Policy Statement 5. We, however, did not criticize Alabama for awarding temporary practice permits on a per property basis because the State's regulations specifically authorized permit issuance on a single assignment basis. We subsequently learned that Alabama was interpreting that phrase to mean a single property. The matter remains somewhat unsettled. We understand that Alabama at times has granted temporary practice permits on a per assignment basis. We anticipate that Alabama soon will apply the latter interpretation to all temporary practice requests.

In a September 4, 1998 letter to Tennessee, we instructed that the State change its temporary practice provisions to conform to Title XI and Policy Statement 5. We have been working with the State since then, and we recently were informed that it again is attempting to change its regulations to conform fully to our requirements. We understand that a hearing on conforming rule proposals has been scheduled for March 2000, and we expect their adoption this summer.

Please contact us if you have any questions.

Sincerely,

Ben Henson  
Executive Director

cc: Sandy Moore, Administrative Director, Tennessee Real Estate Appraiser Commission  
James Holland, Jr., Executive Director, Alabama Real Estate Appraisers Board