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Appraisal Subcommittee

Federal Financial Institutions Examination Council

February 6, 2003

Sherry Bren, Administrator
Department of Commerce and Regulation
118 W. Capitol Avenue
Pierre, SD 57501

Dear Ms. Bren:

Thank you for providing us a copy of South Dakota House Bill No. 1276. If adopted, the Bill would move South Dakota's real estate appraiser regulatory program ("Program") from the Department of Commerce and Regulation to the Real Estate Commission ("Commission"). We have reviewed the Bill and have the following comments.

Nothing in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, ("Title XI") prohibits a State from housing its Program in the Real Estate Commission. Nevertheless, Title XI's intent and *Appraisal Subcommittee Policy Statement 1: State Regulatory Structure and Independence of Functions* would require the Commission to implement "adequate safeguards to protect the independence of the appraiser regulatory function." Title XI and Policy Statement 1 recognize that an inherent conflict of interest exists between the regulation of realty related activities (*i.e.*, real estate licensing/certification, promotion, development or financing functions) and the regulation of appraisal activities. If this Bill were to become law, we would review the Commission's safeguards to ensure the independence of your Program.

Thank you for the opportunity to review the Bill. We would appreciate your keeping us informed about the Bill's status.

Sincerely,

Ben Henson
Executive Director