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Appraisal Subcommittee

Federal Financial Institutions Examination Council

August 23, 1996

Mr. Henry E. Faircloth
Chairperson
North Carolina Appraisal Board
P.O. Box 20500 Raleigh, NC 27619-0500

Dear Mr. Faircloth:

Thank you for your cooperation in the May 20-21, 1996. Appraisal Subcommittee ("ASC") review of the North Carolina appraiser regulatory program ("program"). Although the North Carolina Appraisal Board ("Board") has made substantial progress since the ASC's November 24-26, 1991, field review, we have the following recommendations for improvement in your program.

The Board requires that all qualifying education for appraiser classifications must have been obtained within the live-year period immediately preceding the date of application. In addition, qualifying experience for the Certified Residential and Certified General classifications must have been acquired within the five-year period immediately preceding the date of application. The ASC believes the five-year restrictions in education and experience are discriminatory against older appraisers who may have completed their education early in their careers. In addition, appraisers working in a supervisory capacity such as in positions at Fannie Mae or the government may not have recent appraisal experience and would be disqualified from appraising in North Carolina. We recommend, therefore, that you eliminate the five-year experience restrictions. We also note that the Appraiser Qualifications Board ("-") increased experience requirements for the Certified Residential and Certified General classifications to 2,500 and 3,000 hours respectively, effective January I, 1998. You may wish to make this change in your regulations.

With respect to examinations, it is our understanding that appraisers applying for a license by reciprocity must retake **the** examination if their exam was not passed within three years prior to their application. By legislation, the ASC is required to encourage States to recognize other States' certified and licensed appraisers for purposes of reciprocity unless a State has been derecognized by the ASC. While a State may adopt standards which are higher than the minimum Appraiser Qualification Criteria as established by the AQB, the ASC believes that appraisers seeking reciprocity with North Carolina should be accepted based on their home State requirements. The imposition of re-examination appears to be a burdensome requirement and we suggest that you drop it.

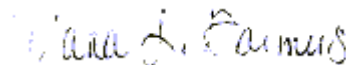
We also note that the Board's scope of practice limitations are stricter than that allowed by the Federal Financial Institution Regulatory Agencies ("FFIRAs") in their appraisal regulations. The Federal appraisal regulations permit licensed and certified-residential appraisers to appraise non-residential properties up to \$250,000. Your Application Booklet, dated January I, 1996, states that

appraisers holding these residential appraisal titles in North Carolina are considered by the Board to have only demonstrated the minimum competence necessary to perform residential appraisals. Again, this restriction may affect not only your appraisers in North Carolina but also appraisers from other States seeking reciprocity. We suggest that the Board amend the scope of practice requirements to allow appraisers to perform non-residential appraisal work in a transactional amount of up to \$250,000 for financial institutions regulated by the FFIRAs.

We note that approximately 87% of North Carolina's licensed and certified appraisers are on the National Registry and that the Board is stamping the pocket card of those licensed or certified appraisers electing not to be on the Registry with a red stamp indicating that they are not eligible to perform appraisals for federally related transactions. As discussed during the May 20-21, 1996, field review, the notice sent to appraisers stating that the cost to be on the National Registry is \$45 should be clarified to highlight that the administrative fee of \$20 is separate from the National Registry fee of \$25.

We request that the Board respond to each of the recommendations within the next 60 days. If you have any questions, please do not hesitate to contact us.

Sincerely,



Diana L. Garmus
Chairperson

cc: Mr. A. Melton Black, Jr., Executive Director