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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

February 1, 2001

Ted Boyer, Director  
Division of Real Estate  
P.O. Box 146711  
Salt Lake City, Utah 84114-6711

Dear Mr. Boyer:

Thank you for your cooperation and your staff's assistance in the November 6-7, 2000 Appraisal Subcommittee ("ASC") review of Utah's appraiser regulatory program ("Program").

Most aspects of your Program appear to function effectively. Disciplinary actions appeared to be fair and equitable, and all files were well documented. However, we identified two concerns that need to be addressed to bring your Program into substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

- **Utah's State Licensed appraisers are not permitted to appraise property for federally related transactions ("FRT").**

During May 1999, Utah established a State Licensed appraiser classification. Although Utah's State Licensed classification requirements (*i.e.*, education, experience, and examination) are consistent with the levels recommended by the Appraiser Qualifications Board ("AQB"), Utah prohibits State Licensed appraisers from independently appraising property for federally related transactions. This restriction is inconsistent with AQB criteria, federal appraisal regulations, and with the Licensed classifications of most States.

Your Licensed classification could cause confusion for users of appraisal services. Most users of appraisal services (*e.g.*, banks, thrifts, and credit unions) expect that Licensed appraisers can perform appraisals in connection with certain FRTs. These users could mistakenly contract with a Utah Licensed appraiser to appraise property for an FRT. To reduce that possibility, within 120 days of receiving this letter, Utah should over-stamp the credentials of these appraisers with words similar to "Not eligible to appraise for federally related transactions."

Over-stamping credentials, however, will not solve other possible areas of confusion involving Federal Housing Administration ("FHA"), Fannie Mae, and Freddie Mac transactions. Lenders might mistakenly believe that FHA-insured loans and loans sold on the secondary market to Fannie Mae and Freddie Mac are federally related transactions and refrain from using Utah Licensed appraisers. In fact, these types of transactions are not considered FRTs, as defined by Title XI. Because most residential loans are FHA-insured or sold to Fannie Mae and Freddie Mac, the livelihoods of Utah's Licensed appraisers could be adversely affected. Utah may wish to inform financial institutions operating in Utah of the restrictions applicable to Utah's Licensed classification. Alternatively, we suggest that Utah consider amending its statute to be consistent with other States, federal appraisal regulations, and the AQB criteria for FRTs.

The National Registry lists appraisers eligible to perform appraisals for FRTs. The Division of Real Estate collects and remits to the ASC National Registry fees for State Licensed appraisers, even though they are not eligible to appraise property for FRTs. Utah needs to cease remitting fees for these appraisers, as they should not be reported on the National Registry. Should Utah amend its statute to provide FRT authority to Licensed appraisers, Utah would need to remit National Registry fees to the ASC.

- **The Board's recent decision to permit supervisory appraisers to receive 28 hours of continuing education credit is not consistent with AQB criteria and Title XI.**

As reported in the November 2000 *Utah Real Estate Appraiser Review*, the Board authorized supervisory appraisers to claim up to 28 hours of continuing education credit for serving as supervisory appraisers. This continuing education credit authorization is inconsistent with AQB criteria and, therefore, is not acceptable for certified appraisers. The Board must rescind this policy for certified appraisers. To avoid confusion, we also recommend that the Board rescind the policy for licensed appraisers.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.  
Chairman

cc: Jerry Webber, Chair  
Real Estate Appraiser Licensing  
and Certification Board