

ANNUAL REPORT 1994

Letter of Transmittal

January 31, 1995

The President of the Senate
The Speaker of the House of Representatives

Pursuant to Section 1103 of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. 3332), I am pleased to submit the 1994 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,

Diana L. Garmus
Chairperson

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The Appraisal Subcommittee - An Introduction

The Appraisal Subcommittee (“ASC”) of the Federal Financial Institutions Examination Council (“FFIEC”) was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The purpose of Title XI is to “provide that Federal financial and public policy interests in real estate transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.” In general, the ASC oversees the real estate appraisal process as it relates to federally related transactions, as defined in Section 1121(4) of Title XI. The ASC is a subcommittee under the FFIEC. The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978 to create an inter-agency body empowered to prescribe uniform principles for the Federal examination of financial institutions.

The ASC is comprised of six members, each designated respectively by the heads of the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“FRB”), the Federal Deposit Insurance Corporation (“FDIC”), the Office of Thrift Supervision (“OTS”), the National Credit Union Administration (“NCUA”), collectively, the Federal financial institutions regulatory

agencies (“Agencies”), and the Department of Housing and Urban Development (“HUD”). Section 1103 of Title XI sets out the ASC’s general responsibilities:

- Monitor the requirements established by the States, territories and the District of Columbia (“States”) and their appraiser regulatory agencies (“State agencies”) for the certification and licensing of appraisers. The ASC reviews each State’s compliance with the requirements of Title XI and is authorized by Title XI to take action against non-complying States;
- Monitor the requirements established by the Agencies and the Resolution Trust Corporation regarding appraisal standards for federally related transactions and determinations of which federally related transactions will require the services of State licensed or State certified appraisers;
- Maintain a national registry of State licensed and certified appraisers (“Registry”) who may perform appraisals in federally related transactions;
- Monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (“Foundation”); and
- Transmit an annual report to Congress regarding the activities of the ASC during the preceding year.

Message from the Chairperson

In 1994, the national scheme of appraisal regulation envisioned by Title XI was fully in place, and related Federal and State regulatory programs were in full operation. Contributing to this progress were the actions taken by the ASC, the State agencies, the Foundation, including its Appraiser Qualifications and Appraisal Standards Boards, and the Agencies.

The ASC's expenses for the year ending September 30, 1994, were \$1,524,336. This amount included \$562,025 in grant payments to the Foundation. Since the ASC's inception in 1989 to June 1994 (when the ASC began operating on fees received from State certified and licensed appraisers), the ASC used \$4,976,118 of its one-time, \$5 million "start-up" appropriation. In September, the ASC began reimbursing Treasury by making a \$750,000 repayment. The outstanding balance of the total Treasury advance, as of September 30, 1994, was \$4,250,000. The ASC plans to repay Treasury fully by the end of fiscal year 2000.

The ASC continued to receive Registry submissions from all 50 States, plus the District of Columbia, Guam, the Commonwealth of the Northern Mariana Islands, the Virgin Islands and Puerto Rico. At year-end, the Registry contained over 86,000 entries pertaining to more than 80,000 individual appraisers. During 1994, the ASC received Registry fees totalling \$2,128,705. From January 1992 through December 1994, Registry fees amounting to

The ASC is considering actions to

\$5.85 million were submitted to the ASC.

ASC staff visited 20 States during 1994 and completed the first round of its program of performing field reviews of State appraiser regulatory programs. This brought the total number of States visited to 50, plus Puerto Rico, the Virgin Islands and the District of Columbia.

The ASC continued to find States to be in substantial compliance with the intent of Title XI. The ASC's *Policy Statements Regarding State Certification and Licensing of Real Estate Appraisers* continued to contribute to greater consistency in the implementation and interpretation of Title XI. All States had laws in place requiring applicants to meet at least the Standards Board-established minimum qualification criteria for certified appraisers and to pass a Qualifications Board-endorsed examination. In cases requiring significant, additional corrective action, the ASC has conducted follow-up visits to State agencies.

The ASC issued an order terminating the Commonwealth of the Northern Mariana Island's temporary waiver relief from Title XI's requirements. The Commonwealth notified the ASC that it had provided for the education and examinations required for it to come into full compliance with Title XI, and that it no longer needed relief. No other requests for waivers were received by the ASC.

implement recent amendments to Title XI

regarding temporary practice and reciprocity in the Riegle Community Development and Regulatory Improvement Act of 1994. The Act amended Section 1122 of Title XI by requiring "A State appraiser certifying or licensing agency . . . not [to] impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice . . ." and by requiring "The Appraisal Subcommittee [to] encourage the States to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser certifying or licensing agency) to perform appraisals in other States."

The ASC continued to monitor and review the activities of the Foundation and to fund the portions of its expenses that relate to the activities of the Standards Board, the Qualifications Board and the membership activities of its Board of Trustees. The ASC approved a calendar year 1995 grant of \$495,000 to the Foundation in support of the activities of its board of directors and the Standards and Qualifications Boards. In December, the Standards Board published the 1995 edition of the Uniform Standards of Professional Appraisal Practice ("USPAP").

The ASC continued to work closely with the five Agencies as part of its ongoing

The ASC sponsored its fourth Conference for State Appraiser Regulators. Representatives of 40 States attended. Temporary practice and reciprocity remain issues among the States, and the ASC is considering actions it may take in these

responsibility to monitor the requirements established by the Agencies and the RTC regarding appraisal standards for federally related transactions and determinations of which federally related transactions will require the services of a State licensed or State certified appraiser. Four of the Agencies amended their appraisal regulations, among other things, to increase the threshold level above which an appraisal by a State certified or licensed appraiser is required from \$100,000 to \$250,000. They also clarified the phrase, "real estate collateral taken in an abundance of caution," and established a \$1 million regulatory exemption for business loans that do not rely upon real property as a means of repayment. In addition, the amendments significantly reduced the additional appraisal requirements beyond USPAP, permitted use of USPAP's Departure Provision and required that appraisals in federally related transactions be performed in accordance with generally accepted appraisal standards as evidenced by USPAP. In connection with Congress's examination of the impact of raising the threshold amount from \$100,000 to \$250,000, the ASC testified before the House of Representatives Subcommittee on General Oversight, Investigations, and Resolution of Failed Financial Institutions, Committee on Banking, Finance and Urban Affairs.

areas. While all of the States incorporated USPAP into their State statutes or regulations, enforcing the current version has remained a problem in some States. State regulators and appraisers noted that there is some confusion regarding the Standards

Board's Statement regarding limited appraisals and summary and restricted appraisal reports. The ASC is considering ways to further help the States in these areas. In response to requests from the States, the ASC made available to them a list of the appraisers whose certifications or licenses have been revoked in State agency disciplinary proceedings. In that regard, the ASC continued to strengthen the coordination and cooperation between it, the State agencies and the Agencies regarding their respective appraiser oversight programs.

Finally, the ASC adopted amendments to its Freedom of Information Act regulation. The amendments enable persons: (1) to obtain copies of ASC final opinions and orders in adjudications, statements of general policy not published in the *Federal Register*, interpretive letters, no-action requests and responses and certain other correspondence related to ASC field reviews; (2) to request confidential treatment of information subject to FOIA; and (3) to petition the ASC for the issuance, amendment or repeal of an ASC rule.

During 1995, the ASC plans to initiate a program for the off-site monitoring of State appraiser regulatory programs and intends to make on-site field reviews when appropriate.

Administration of the ASC

Meetings of the ASC are held monthly. Special meetings may be scheduled at the request of an ASC member. The ASC's activities are now funded by annual Registry fees of \$25 from each appraiser who is licensed or certified by a State to perform appraisals in federally related transactions. Title XI requires State agencies to forward these fees to the ASC at least annually. Title XI authorized a one-time, \$5 million advance from the Secretary of the Treasury to be used for start-up funding. During 1994, the ASC reimbursed the Treasury \$750,000 and developed a plan to reimburse the Treasury annually. All advances should be repaid by the end of fiscal year 2000.

The ASC is supported by a small (currently nine employees), full-time, professional staff in its administrative offices. The Executive Director acts as the ASC's Secretary. The organization and responsibilities of the ASC's senior staff are as follows:

- Executive Director - Responsible for formulating, implementing and evaluating policies, procedures and programs for carrying out the day-to-day operations of the ASC.
- Associate Director for Administration - Responsible for the Registry and for providing financial and facilities management, personnel and payroll, procurement and contracting and government technical representative services to the ASC, the Executive Director and ASC staff.
- Associate Director for Policy and Programs - Responsible for managing the analysis of Federal and State appraisal requirements, formulation of guidelines, development of analytical projects needed to achieve the goals of Title XI and for ASC field reviews of State appraiser regulatory programs to determine compliance with Title XI.
- General Counsel - Responsible for the professional legal work of the ASC. Serves as legal advisor to the ASC, its Executive Director and the ASC staff, and renders legal advice with regard to statutes and other laws that concern regulation of the appraisal industry and that govern ASC operations.

The members of the ASC and their terms of service during 1994 are:

- Chairperson (since April), Diana L. Garmus, Assistant Director for Corporate Activities, OTS, September 1990 to present;
- Chairperson (January through March), Fred D. Finke, Deputy Comptroller for Special Supervision, OCC, September 1990 through March 1994;
- Member, P. Michael Yuenger, National Bank Examiner, OCC, April 1994 to present;
- Member, Morris E. Carter, Director, Single Family Development Division, HUD, October 1991 to present;
- Member, Robert F. Mialovich, Associate Director, Office of Policy, Division of Supervision, FDIC, November 1989 to present;
- Member, Rhoger H Pugh, Assistant Director, Division of Banking Supervision and Regulation, FRB, November 1992 to present;
- Member, Alonzo S. Swann, III, Director, Department of Operations, Office of Examination and Insurance, NCUA, December 1991 through June 1994;
- Member, Herbert S. Yolles, Director of Risk Management,

NCUA, July 1994 to present.
The Appraisal Subcommittee staff are:

- Edwin W. Baker, Executive Director
- Ronald W. Peppe, Associate Director for Policy and Programs
- Vicki A. Ledbetter, Appraisal Policy Manager
- Linda K. Matthias, Appraisal Policy Manager
- Paul N. Romani, Associate Director for Administration
- Willa Habersham, Staff Secretary
- Lori L. Schuster, Head Secretary
- Ray M. Seward, Information Management Specialist
- Marc L. Weinberg, General Counsel

Field Reviews of State Appraiser Regulatory Agencies

In 1994, as required by Title XI, the ASC continued the process begun in 1991 of monitoring the States' requirements, practices and procedures for the certification and licensing of appraisers. Part of this oversight function has been the performance of field reviews of State appraiser regulatory programs.

Prior to a State field review, the ASC has requested that the State provide the following information: a copy of the current appraisal laws and regulations; any pending legislation; administrative information; appraiser designations awarded; experience and education requirements for licensing and certification; the State's procedures for approving education providers; the State's complaint procedures; and the State's requirements for temporary practice and reciprocity. ASC staff then has analyzed the existing State statutes, regulations and proposed legislation.

Each field review has involved the comprehensive assessment of every facet of a State's appraiser regulatory program. Reviews usually have been scheduled to coincide with a State appraiser board meeting and were conducted over a period of two or more days. The staff has reported

During 1994, due to the seriousness and longstanding nature of the ASC's concerns, four follow-up State visits were conducted. At the ASC's direction, the staff re-visited Alaska, Oklahoma, Texas and Puerto Rico and met to discuss outstanding issues with officials of the States' legislative bodies, the

its findings and recommendations to the ASC and the ASC has issued a comment letter to the State agencies.

All initial field reviews have been completed. Overall, State appraiser regulatory programs appear to be operating in a manner consistent with Title XI. The most consistent areas of concern have been: (1) temporary practice, particularly with respect to the fees charged and the expiration periods imposed; (2) date specific USPAP references in State statutes and regulations; (3) time frames within which qualifying experience and/or education must have been obtained by applicants for certification; (4) limitations on the scope of practice of licensed or certified residential appraisers to the appraisal of only residential properties; and (5) the ability or willingness of State agencies to supervise all of the activities and practices of State certified or licensed appraisers performing real estate appraisals in connection with all real estate related financial transactions, and not just federally related transactions, and to enforce USPAP. For many of the States, these and other issues have been resolved or are in the process of being resolved.

staffs of the appraiser regulatory agencies and the members of the appraiser regulatory boards. In general, those issues involved removing unreasonable barriers to temporary practice and reciprocity and ensuring that the State has the tools to ensure that USPAP is being followed by the State's certified and

licensed appraisers. It appears that all matters in question are in the process of being resolved.

In its continuing effort to ensure that the State appraiser regulatory programs are operating in a manner consistent with Title XI, the ASC is developing a two-tiered monitoring program involving an annual off-site review of each State, plus a periodic on-site review. A report is being designed to monitor, off-site, the activities of the State agencies. As currently envisioned, the ASC will be requesting the States to complete the report beginning in 1995. Based upon information from the report and other off-site monitoring procedures, the ASC will determine when follow-up field reviews are warranted. The two-tiered procedure should result in a more efficient, yet effective, State monitoring program, with reduced compliance and administrative expenses for all involved.

Activities of the Federal Financial Institutions Regulatory Agencies

During 1994, the OCC and the NCUA respectively appointed P. Michael Yuenger and Herbert S. Yolles as ASC members, replacing Fred D. Finke and Alonzo S. Swann III.

The Agencies (other than the NCUA) significantly amended their appraisal regulations and guidelines for regulated financial institutions. These Agencies adopted final amendments to their appraisal regulations and published them in the June 7, 1994 edition of the *Federal Register*. The amendments, among other things:

- Increased to \$250,000 the threshold at or below which real estate related financial transactions are not subject to Title XI;
- Expanded and clarified existing exemptions to the Title XI appraisal requirement, such as the “abundance of caution” exemption;
- Identified additional circumstances when transactions are exempt from Title XI, such as in transactions involving certain real estate-secured business loans of less than \$1 million;
- Specified when exempt transactions nevertheless require appropriate evaluations of collateral value;
- Significantly reduced the number of required supervisory appraisal standards in addition to USPAP;
- Allowed the use of USPAP’s Departure Provision; and
- Describing transactions that may be exempt from the appraisal regulations

- Clarified the requirements governing appraisal content and use of appraisals prepared for other financial services institutions.

On November 7, 1994, the four Agencies issued a joint release announcing new *Interagency Appraisal and Evaluation Guidelines*. The *Guidelines* clarified and elaborated on the amended appraisal rule described above by:

- Describing the Agencies’ overall supervisory policy requiring regulated financial institutions to have sound appraisal and evaluation programs that comply with the Agencies’ regulations, policies and the *Guidelines*;
- Suggesting the elements of an effective real estate appraisal and evaluation program;
- Recommending the criteria to select, evaluate and monitor the performance of persons who perform real estate appraisals or evaluations;
- Discussing the independence of the appraisal and evaluation function;
- Establishing standards for the selection of State licensed or certified appraisers or persons who perform evaluations;
- Providing guidance on how regulated financial institutions may use the Departure Provision of USPAP and related appraisal and reporting options;

but which still require an adequate evaluation of collateral value, the content

of those evaluations and the persons qualified to prepare them; and

- Encouraging financial institutions to make referrals directly to State appraiser regulatory agencies when a State certified or licensed appraiser violates USPAP, applicable State law or engages in other unethical or unprofessional conduct.

During 1994, pursuant to § 1123 of Title XI, the Agencies approved three joint orders granting relief from the provisions of Title XI of FIRREA and the Agencies' appraisal regulations for any real estate-related financial transaction involving real estate located in an area designated a Federal disaster area by the President and the Federal Emergency Management Agency. The orders covered parts of the following States that were declared disaster areas:

- California, as a result of the January 17, 1994 earthquake;
- Alabama, Florida and Georgia, as a result of the flooding that began on or about July 7, 1994; and
- Texas, as a result of the flooding that occurred in the Houston area during October 1994.

Several of the Agencies, together with the State agencies and the ASC, made significant progress in implementing and enhancing a system for processing and appropriately referring cases of appraiser

incompetence, fraud or unethical and unprofessional conduct.

Staff members of the Agencies also participated actively in a series of Standards Board-sponsored regional informational meetings that explained the operation of the Standards Board's new Statement on Appraisal Standards No. 7, *Permitted Departure from Specific Guidelines for Real Estate Appraisals*, and related amendments to the Departure Provision, Definitions Section, and Standards 2 and 3. These meetings also provided participants with an opportunity to discuss the Agencies' appraisal regulations.

Finally, the Department of Housing and Urban Development adopted extensive amendments to its appraisal and property valuation rules and published them in the *Federal Register* on December 6, 1994. The new rules:

- Established minimum standards for real estate appraisals made by staff, fee panel and contract appraisers in determining the maximum insurable mortgage amount in most HUD/FHA one-to-four family and multi-family transactions;
- Established criteria for the selection of appraisers by mortgagees; and
- Distinguished those appraisals that may be performed by State licensed appraisers from those that must be performed by State certified appraisers.

Activities of the Appraisal Foundation

The Foundation is a private, not-for-profit corporation charged by Title XI with the responsibility of establishing minimum uniform appraisal standards and appraiser qualifications criteria. The ASC monitored the following activities of the Foundation in 1994.

The Foundation's Board of Trustees

In April, the trustees met and briefed six new trustees on the various responsibilities of the Foundation. There are 31 persons on the Board of Trustees, representing 17 organizations.

In October, the trustees met and made appointments for calendar year 1995 to the Standards Board and the Qualifications Board. Sherwood Darington was appointed Chair of the Standards Board and Anthony Reynolds was appointed Chair of the Qualifications Board. The 1995 Qualifications Board members are James Klopfenstein, Stephen Williams, Gregory Gilbert and Scott Williams. The 1995 Standards Board members are Timothy Leberman, Daniel Dinote, W. David Snook and Laurie Van Court. The Board of Trustees also elected its 1995 officers: Joseph S. Durant, Jr., Chairman; J. Carl Schultz, Jr, Vice Chairman; Craig A. Auberger, Secretary; Lloyd D. Hanford, Jr., Assistant Secretary; Joseph P. Hunt, Treasurer; and James VanDerWerff, Assistant Treasurer. Four members to serve

Basic changes to the Certified Residential classification included: (1)

as at-large trustees were elected. The Board of Trustees also approved budgets for the Qualifications Board and Standards Board for 1995.

The Appraiser Qualifications Board

The Qualifications Board held three in February, May and October of 1994. The Qualifications Board's four major accomplishments for 1994 were:

- Revised Appraiser Qualification Criteria

In February, the Qualifications Board adopted revisions to the Appraiser Qualification Criteria for the Licensed, Certified Residential, and Certified General classifications. The revisions to the Licensed classification increased the education requirement from 75 classroom hours to 90 classroom hours, which includes a 15-hour USPAP course, effective January 1, 1998. Further changes to the Licensed classification included: (1) deleting a provision allowing experience credit for teaching experience; (2) expanding the course topic outline; (3) adding a section regarding verification of appraisal experience to include type of property, date of report, address of appraised property, description of work performed and number of work hours; and (4) increasing the continuing education requirement from 10 to 14 classroom hours per year.

requiring a 15 hour USPAP course for qualifying education; (2) deleting a provision

allowing experience credit for teaching experience; (3) expanding the course topic outline; (4) increasing the experience requirement from 2,000 to 2,500 appraisal hours obtained over a period of 24 months; (5) adding a section regarding verification of appraisal experience to include type of property, date of report, address of appraised property, description of work performed and number of work hours; and (6) increasing the continuing education requirement from 10 to 14 classroom hours per year.

Basic revisions to the Certified General classification included: (1) increasing the education requirement from 165 to 180 classroom hours, which includes a 15 hour USPAP course; (2) deleting a provision allowing experience credit for teaching experience; (3) expanding the course topic outline; (4) increasing the appraisal experience requirement from 2,000 to 3,000 hours obtained over a period of 30 months; (5) adding a section regarding verification of appraisal experience to include type of property, date of report, address of appraised property, description of work performed and number of work hours; and (6) increasing the continuing education requirement from 10 to 14 classroom hours per year.

- Long-Term Planning

The Qualifications Board determined that future consideration should be given to three areas: (1) development of criteria for the different disciplines covered in USPAP; (2) development of a real property body of knowledge and a model curriculum; and (3)

service as the national accrediting body for appraisal education providers.

- Reevaluation of Previously Approved Examinations

The Qualifications Board has authority under Title XI to review and approve State certified appraiser examinations. All State examinations are based on Examination Content Outlines issued by the Qualifications Board. The Qualifications Board reviewed all previously approved examinations for consistency with the revised Examination Content Outlines.

The Appraisal Standards Board

During 1994, the Standards Board held meetings in January, March, May, July, September and November. The Standards Board addressed the following issues:

- USPAP Standards Revisions

The Standards Board adopted revisions to the Departure Provision, Definitions Section and Standards 2 and 3 in conjunction with new Statement on Appraisal Standards No. 7, *Permitted Departure from Specific Guidelines for Real Estate Appraisals*. The Standards Board also adopted Comments to the Jurisdictional Exception and Supplemental Standards sections of USPAP, which provide guidance to appraisers and users regarding the purpose and appropriate application of these sections of USPAP.

- Statements on Appraisal Standards

Statements on Appraisal Standards under the by-laws of the Foundation are specifically intended to clarify, explain or elaborate on USPAP. Statements have the full weight of a Standards Rule and must be exposed for public comment prior to adoption. As noted above, the Standards Board adopted Statement on Appraisal Standards No. 7, *Permitted Departure from Specific Guidelines for Real Estate Appraisals*, and revised related parts of the Departure Provision, Definitions Section and Standards 2 and 3. Together, the Statement and revisions clarify the use of the Departure Provision in developing a Limited Appraisal and the opportunities for appraisers to provide appraisal reports to clients in “Self-Contained,” “Summary” or “Restricted” formats. The Standards Board held a series of regional informational meetings to explain Statement No. 7 and the related revisions to USPAP, which were attended by appraisers, regulators and users of appraisal services.

- Advisory Opinions

Advisory Opinions are issued by the Standards Board periodically to provide advice and to illustrate the applicability of a Standard or Statement. Unlike Statements on Appraisal Standards, which carry the weight of a Standards Rule, Advisory Opinions are not enforceable. The Standards Board adopted two Advisory Opinions in 1994: Advisory Opinion G-11 regarding Content of the Appraisal Report Options of Standard 2; and Advisory Opinion G-12 regarding Use of the Appraisal Report Options of Standard 2. These Advisories

were written to clarify the appropriate content and use of the real property reporting options of Standard 2 defined in Statement No. 7 and related USPAP revisions.

- Real Estate Technical Issues Task Force

The Standards Board established a Real Estate Technical Issues Task Force to provide recommendations and advice to the Standards Board in specialized areas in which the Standards Board may lack knowledge or experience. A panel of this Task Force was formed to address possible USPAP compliance issues in the electronic transmission of appraisal reports. A second panel was formed to study appraisers’ responsibilities in considering the adequacy of building components in residential appraisals. A third panel was formed to study estimation of living area in residential properties.

- A Guide For Instructors Teaching Courses or Seminars on the Uniform Standards of Professional Appraisal Practice

The Standards Board updated its Guide for Instructors Teaching Courses or Seminars on the Uniform Standards of Professional Appraisal Practice to reflect the 1994 revisions and additions to USPAP. The purpose of the Guide is to assist instructors in teaching USPAP in a uniform and consistent manner. The Guide is to be used in conjunction with other teaching material provided by the course sponsor.

- Standards Board Task Forces

The Standards Board Glossary Task Force developed a proposed glossary of terms used in USPAP. The Draft Glossary has been exposed for public comment and will be finalized in 1995. Standards Board Task Forces on Business Valuation, Mass Appraisal and Personal Property Appraisal were reactivated in 1994 to study USPAP issues related to review of appraisal reports and appraisal reporting options for disciplines other than real property.

- Uniform Standards of Professional Appraisal Practice

The Standards Board prepared for publication the mid-year supplement and the 1995 edition of USPAP. The mid-year supplement and the annual edition provide the standards to which appraisers will be held each year. The mid-year supplement contains the work of the Standards Board for the first six months of the year, and the 1995 edition of the USPAP contains the work of the Standards Board through September 1994.

Financial Status of the ASC

In Fiscal Year ("FY") 1989, the ASC received a one-time appropriation of \$5 million to fund its start-up operations. The appropriation was an advance from Treasury, and disbursements made using these monies must be repaid. In January 1992, the States began remitting to the ASC an annual fee of \$25 for each licensed or certified appraiser added to the Registry. Treasury advances and Registry fees constitute the ASC's sources of operating funds. Registry fees received during FY 1994 totalled \$2,128,705.

Fiscal year 1990 was the first year in which the ASC incurred obligations. Treasury advances through June 1, 1994, totalled \$4,976,118. Since then, the ASC has met its obligations using Registry fees.

During FY 1994, the ASC repaid \$750,000 to Treasury. The ASC anticipates that the advance can be fully repaid by the end of FY 2000.

Attached as Appendix A are the ASC's FY 1993 and FY 1994 audited financial statements. In response to the recommendations made by the external auditors in their preparation of the ASC's 1994 audit, the ASC has undertaken to improve its internal recordkeeping and to institute regular reconciliation procedures with the general ledger maintained by HUD. In particular, these changes will address improvements to the accounting procedures and recordkeeping methods for Registry fee receipts, deferred revenue and accrued payroll expenses.

Appendix A

Financial Statements and Financial Audit Reports

as of and for the year ended
September 30, 1994

Report of Independent Accountants

The Appraisal Subcommittee of the
Federal Financial Institutions Examination Council

We have audited the accompanying Statement of Financial Position of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (Appraisal Subcommittee) as of September 30, 1994 and 1993, and the related Statements of Operations and Changes in Net Position and of Cash Flows for the years then ended. These financial statements are the responsibility of the Appraisal Subcommittee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits

provide a reasonable basis for our opinion.

In our opinion, the financial statements audited by us present fairly, in all material respects, the financial position of the Appraisal Subcommittee at September 30, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

February 15, 1995

Appraisal Subcommittee
Statement of Financial Position
As of September 30

	<u>1994</u>	<u>1993</u>
<u>ASSETS</u>		
Fund Balances with Treasury and Cash		
Fund Balances with Treasury (Notes 2 and 4)	\$ 3,997,181	\$ 1,048,776
Cash (Note 2)	0	3,105,625
Subtotal, Fund Balances with Treasury and Cash	<u>3,997,181</u>	<u>4,154,401</u>
Property and Equipment, net (Note 3)	<u>56,868</u>	<u>81,921</u>
Total Assets	\$ 4,054,049	\$ 4,236,322
<u>LIABILITIES AND EQUITY</u>		
Non-Federal Liabilities		
Unearned Revenue	\$ 512,275	\$ 274,300
Accrued Accounts Payable	172,904	36,013
Accrued Annual Leave (Note 2)	29,106	26,709
Accrued Payroll and Benefits	26,695	21,714
Accrued Travel Payable	3,981	0
Subtotal, Non-Federal Liabilities	<u>744,961</u>	<u>358,736</u>
Federal Liabilities		
Borrowings from Treasury (Note 4)	<u>4,250,000</u>	<u>5,000,000</u>
Subtotal, Federal Liabilities	<u>4,250,000</u>	<u>5,000,000</u>
Total Liabilities	4,994,961	5,358,736
Net Position	<u>(940,912)</u>	<u>(1,122,414)</u>
Total Liabilities and Net Position	\$ 4,054,049	\$ 4,236,322

The accompanying notes are an integral part of these statements.

Appraisal Subcommittee
Statement of Operations and Changes in Net Position
As of September 30

	<u>1994</u>	<u>1993</u>
<u>REVENUE</u>		
Revenue from Goods Sold/Services Provided		
Appraiser Fees (Note 2)	\$ 1,890,730	\$ 2,076,225
Other	3,075	5,647
	<u>1,893,805</u>	<u>2,081,872</u>
<u>EXPENSES</u>		
Operating Expenses		
Personnel Compensation and Benefits (Note 5)	671,426	576,137
Rent, Communications, and Utilities	179,149	169,060
Contracted Services	100,378	37,557
Travel and Transportation	45,971	29,488
Printing and Reproduction	10,469	5,473
Depreciation and Amortization	25,053	25,904
Supplies and Materials	17,883	10,544
Non-Capitalized Office Equipment (Note 4)	7,477	0
	<u>1,057,806</u>	<u>854,163</u>
Appraisal Foundation Grant (Note 6)	654,497	483,455
	<u>1,712,303</u>	<u>1,337,618</u>
Excess of Revenue and Financing		
Sources over Funded Expenses	181,502	744,254
Net Position, Beginning Balance	<u>(1,122,414)</u>	<u>(1,866,668)</u>
Net Position, Ending Balance	\$ (940,912)	\$ (1,122,414)

The accompanying notes are an integral part of these statements.

Appraisal Subcommittee

Statement of Cash Flows

As of September 30

	<u>1994</u>	<u>1993</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Excess of Revenue and Financing Sources over Total Expenses	\$ 181,502	\$ 744,254
Adjustments Affecting Cash Flow		
Increase (Decrease) in Non-Federal Liabilities	386,225	(267,154)
Depreciation and Amortization	25,053	25,904
Net Cash Used by Operating Activities	<u>592,780</u>	<u>503,004</u>
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Purchases of Property, Plant and Equipment	<u>0</u>	<u>(24,280)</u>
Net Cash Used by Investing Activities	<u>0</u>	<u>(24,280)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of Borrowings from Treasury	<u>(750,000)</u>	<u>0</u>
Net Cash Provided by Operating, Investing, and Financing Activities	(157,220)	478,724
Fund Balances with Treasury and Cash, Beginning	<u>4,154,401</u>	<u>3,675,677</u>
Fund Balances with Treasury and Cash, Ending	\$ 3,997,181	\$ 4,154,401

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 - Organization

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council was created by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The mission of the Appraisal Subcommittee is to monitor the certification and licensing programs of the States to determine compliance with Title XI of FIRREA; monitor the activities of the Appraisal Foundation; and monitor the requirements established by the Resolution Trust Corporation and the federal financial institutions regulatory agencies regarding appraisal standards for federally related transactions and determinations of which federally related transactions will require the services of State licensed or State certified appraisers. The federal financial institutions regulatory agencies include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration. The mission of the Subcommittee also includes the establishment of a national registry of certified and licensed appraisers. The member agencies of the Appraisal Subcommittee include the federal financial institutions regulatory agencies and the Department of Housing and Urban Development.

Title XI of FIRREA provides that funds available to the federal financial institutions regulatory agencies may be made available to the Federal Financial Institutions Examination Council to support the council's functions under Title XI.

Note 2 - Significant Accounting Policies

Basis of Accounting

The accounting policies of the Appraisal Subcommittee conform to generally accepted accounting principles. Accordingly, the financial statements are presented on the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to cash receipt or payment.

Fund Balances with Treasury and Cash

The funds with the U.S. Treasury are principally comprised of undisbursed, and in part, unearned, annual registry fees. During fiscal year 1993, registry fee receipts were on deposit with a commercial banking institution and were reported under the caption "Cash." Fund Balances with Treasury were comprised solely of amounts remaining unexpended under the one-time U.S. Treasury start-up payment of \$5,000,000. During fiscal year 1994, all monies in the commercial bank account were transferred to an account with U.S. Treasury, and all registry fee receipts are now deposited with the U.S. Treasury. These amounts are reported under the caption "Fund Balances with Treasury."

Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Appraisal Subcommittee as the result of a transaction or event that has already occurred. Liabilities are recorded in the accounts when incurred and are removed when liquidated (i.e., paid). Liabilities represent the amounts accruing under contractual or other arrangements governing the transactions, including operating expenses incurred but not yet paid.

Revenue

The revenue of the Appraisal Subcommittee is derived principally from the assessment of an annual registry fee of \$25 for each State licensed and certified appraiser. Annual registry fees are considered earned when received, except when multiple years of registry fees are received in advance, in which case the amount pertaining to subsequent years is initially recorded as deferred revenue, and recognized as earned during the applicable fee year.

Annual, Sick and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. The balance in the accrued

annual leave account reflects current pay rates. Sick and other types of manifested leave are expensed as taken.

Grants

Title XI of FIRREA provides that amounts appropriated for or collected by the Appraisal Subcommittee shall be used to make grants to the Appraisal Foundation, to help defray those costs of the Appraisal Foundation relating to the activities of its Appraisal Standards and Appraiser Qualifications Boards. Because the grants are purpose-restricted, grant expense is recorded by the Appraisal Subcommittee as activities eligible under the grant agreements are conducted by the Appraisal Foundation.

Reclassifications

Certain reclassifications have been made to the prior year's statements to conform with the fiscal year 1994 presentation.

Note 3 - Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the assets. Expenditures for individual assets costing less than \$5,000 and for maintenance and repairs are charged to earnings as incurred.

The following table summarizes property and equipment balances as of September 30, 1994:

<u>Classes of Fixed Assets</u>	<u>Service Life (years)</u>	<u>Acquisition Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture	10	\$ 57,168	\$14,072	\$43,096
ADP Equipment	3	<u>83,964</u>	<u>70,192</u>	<u>13,772</u>
		<u>\$141,132</u>	<u>\$84,264</u>	<u>\$56,868</u>

Note 4 - Borrowings

Under Title XI of FIRREA, the Appraisal Subcommittee received a one-time payment of \$5,000,000 from the Department of the Treasury to fund start-up expenses. Title XI of FIRREA provides that thereafter, expenses of the Appraisal Subcommittee must be funded through the collection of annual registry fees for State licensed and certified appraisers. Pursuant to a financing agreement with the Department of Treasury, the \$5,000,000 will be repaid to the Treasury general fund. The financing agreement, as amended, provides for interest free

financing and does not provide for a specified repayment term. During fiscal year 1994, the Appraisal Subcommittee made an initial repayment to Treasury in the amount of \$750,000.

Note 5 - Retirement and Benefit Plans

The Appraisal Subcommittee contributes to the Civil Service Retirement System and the Federal Employees' Retirement System administered by the Office of Personnel Management for the benefit of U.S. Government employees. The retirement plans are participatory. Under the Civil Service Retirement System, the employer and employee each contribute 7 percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and .8 percent of salary is contributed by the employee.

Additionally, the Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees' Retirement System. Contributions by the Appraisal Subcommittee during fiscal year 1994 for the Civil Service Retirement System and the Federal Employees' Retirement System aggregated \$47,989.

Although the Appraisal Subcommittee contributes a portion of pension benefits for its employees participating in the retirement plans and withholds the necessary payroll deductions from them, it has no liability for future payments to employees under these programs, and is not accountable for the assets of the Civil Service and Federal Employees' Retirement Systems nor does the Appraisal Subcommittee have actuarial data concerning the accumulated plan benefits or the unfunded pension liability relating to its employees. These amounts are reported by the Office of Personnel Management for the retirement systems and are not allocated to the individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired federal employees.

Note 6 - Appraisal Foundation Grant

Title XI of FIRREA provides that amounts appropriated for or collected by the Appraisal Subcommittee shall be used to make grants to the Appraisal Foundation, to help

defray those costs of the Appraisal Foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards. Since inception of the Appraisal Subcommittee on August 9, 1989, it has made four grants to the Appraisal Foundation under which \$2,021,014 was

Note 7 - Interagency Transactions

In conducting its administrative operations, the Appraisal Subcommittee uses the services of various other Federal agencies. The two largest of these administrative service arrangements are with the U.S. Department of Housing

expended through September 30, 1994. As of September 30, 1994, amounts unexpended but remaining available to the Appraisal Foundation for eligible activities under these grants totalled \$123,231.

and Urban Development (HUD) and the General Services Administration (GSA) for certain accounting and reporting functions, and the processing of payroll and related benefits, respectively. Fiscal year 1994 operating expenses of the Appraisal Subcommittee include \$20,665 for accounting and reporting services provided by HUD.

Report of Independent Accountants on Internal Controls

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council

We have audited the financial statements of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (Appraisal Subcommittee) as of and for the year ended September 30, 1994, and have issued our report thereon dated February 15, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Appraisal Subcommittee for the year September 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the Appraisal Subcommittee is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of

internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Cash
- Revenues, Accounts Receivable, and Receipts
- Purchases, Accounts Payable, and Disbursements
- Property and Equipment
- Financial Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted a matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The Appraisal Subcommittee should adopt formal reconciliation procedures (modified repeat condition)

The General Accounting Office's (GAO) *Policy and Procedures Manual for Guidance of Federal Agencies* (Title 2)

The Department of Housing and Urban Development (HUD) provides accounting and disbursement services to the Appraisal Subcommittee. Specifically, these services include (1) processing disbursement transactions and submitting them to the Department of the Treasury for payment; (2) maintaining a general ledger and subsidiary ledgers of individual account activity and balances; (3) reconciling the Appraisal Subcommittee's general ledger cash balance with the Department of the Treasury's record of the cash balance; and, (4) preparing certain annual reports required by the Department of the Treasury and the Office of Management and Budget.

Although the Appraisal Subcommittee reconciled monthly HUD-prepared reports of disbursements made with source documentation submitted to HUD for processing, it did not reconcile, on an ongoing basis throughout the year, substantially all real and nominal accounts and balances which are accumulated into the financial statements. Routine monthly reconciliations of general ledger and subsidiary accounts and records of Statement of Financial Position accounts including, for example, cash and unearned revenue, and Statement of Operations accounts including, for example, appraiser fee revenue and operating expenses, is necessary to ensure the accuracy and completeness of that information.

states that "General ledger balances must be reconciled with subsidiary accounts and [source] records...in a timely manner.

Regularly scheduled reconciliation...helps to substantiate and maintain the accuracy of account postings and balances..."

We recommend that in addition to reports of monthly disbursement activity, the Appraisal Subcommittee obtain from HUD on a monthly basis the general ledger trial balance. The Appraisal Subcommittee should compare the reports to its subsidiary records and source documentation submitted to HUD for processing, and ensure that the reports prepared by HUD on its behalf are complete and accurate.

* * * * *

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition described above is not a material weakness.

We noted certain other matters involving the internal control structure and its operation that we reported to management of the Appraisal Subcommittee in a separate letter dated February 15, 1995.

This report is intended for the information of management of the Appraisal Subcommittee. However, this is not intended to limit distribution of this report, when it becomes a matter of public record.

February 15, 1995

Report of Independent Accountants on Compliance

The Appraisal Subcommittee of the
Federal Financial Institutions Examination Council

We have audited the financial statements of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (Appraisal Subcommittee) as of and for the year ended September 30, 1994, and have issued our report thereon dated February 15, 1995.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Appraisal Subcommittee is the responsibility of the Appraisal Subcommittee's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Appraisal Subcommittee's compliance with certain provisions of laws and regulations. However, the objective of

our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the Appraisal Subcommittee complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Appraisal Subcommittee had not complied, in all material respects, with those provisions.

This report is intended for the information of management of the Appraisal Subcommittee. However, this is not intended to limit distribution of this report, when it becomes a matter of public record.

February 15, 1995

Appendix B - Relevant Statutes

The following is a compilation of Title XI of FIRREA, as amended, and related legislation applicable to the ASC.

TITLE XI--REAL ESTATE APPRAISAL REFORM AMENDMENTS [12 U.S.C. 3331-3351].

SEC. 1101. Purpose

The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

SEC. 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council

The Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended by adding at the end thereof the following new section:

SEC. 1011. Establishment of Appraisal Subcommittee

"There shall be within the Council a subcommittee to be known as the 'Appraisal Subcommittee', which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession."

SEC. 1103. Functions of Appraisal Subcommittee

(a) *In general.* The Appraisal Subcommittee shall --

(1) monitor the requirements established by States for the certification and licensing of individuals who

are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies and the Resolution Trust Corporation with respect to --

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;

(3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and

(4) transmit an annual report to the Congress not later than January 31 of each year which describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year.

(b) *Monitoring and reviewing Foundation.* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

SEC. 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings

(a) *Chairperson.* The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.

(b) *Meetings; quorum; voting.* The Appraisal Subcommittee shall meet at the call of the Chairperson or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal

Subcommittee shall be made by the vote of a
SEC. 1105. Officers and staff

The Chairperson of the Appraisal Subcommittee shall appoint such officers and staff as may be necessary to carry out the functions of this title consistent with the appointment and compensation practices of the Council.

SEC. 1106. Powers of the Appraisal Subcommittee

The Appraisal Subcommittee may, for the purpose of carrying out this title, establish advisory committees, hold hearings, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate.

SEC. 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers

Appraisal standards and requirements for using State certified and licensed appraisers in federally related transactions pursuant to this title shall be prescribed in accordance with procedures set forth in section 553 of title 5, United States Code, including the publication of notice and receipt of written comments or the holding of public hearings with respect to any standards or requirements proposed to be established.

SEC. 1108. Startup funding

(a) *In general.* For purposes of this title, the Secretary of the Treasury shall pay to the Appraisal Subcommittee a one-time payment of \$5,000,000 on the date of the enactment of this Act. Thereafter, expenses of the subcommittee shall be funded through the collection of registry fees from certain certified and licensed appraisers pursuant to section 1109 or, if required, pursuant to section 1122(b) of this title.

(b) *Additional funds.* Except as provided in section 1122(b) of this title, funds in addition to the funds provided under subsection (a) may be made available to the Appraisal Subcommittee only if authorized and appropriated by law.

majority of its members.

SEC. 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees

(a) *In general.* Each State with an appraiser certifying and licensing agency whose certifications and licenses comply with this title, shall --

(1) transmit to the Appraisal Subcommittee, no less than annually, a roster listing individuals who have received a State certification or license in accordance with this title; and

(2) collect from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$25, such fees to be transmitted by the State agencies to the Council on an annual basis. Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees, up to a maximum of \$50 per annum, as necessary to carry out its functions under this title.

(b) *Use of amounts appropriated or collected.* Amounts appropriated for or collected by the Appraisal Subcommittee under this section shall be used --

(1) to maintain a registry of individuals who are qualified and eligible to perform appraisals in connection with federally related transactions;

(2) to support its activities under this title;

(3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month startup period following the date of the enactment of this title; and

(4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards.

SEC. 1110. Functions of the Federal financial institutions regulatory agencies relating to appraisal standards

Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of each such agency or instrumentality. These rules shall require, at a minimum -- (1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation; and (2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities.

SEC. 1111. Time for proposal and adoption of standards

Appraisal standards established under this title shall be proposed not later than 6 months and shall be adopted in final form and become effective not later than 12 months after the date of the enactment of this Act.

SEC. 1112. Functions of the Federal financial institutions regulatory agencies relating to appraiser qualifications

(a) *In general.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title, which categories of federally related transactions should be appraised by a State certified appraiser and which by a State licensed appraiser under this title.

(b) *Threshold level.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency

determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions.

(c) *GAO study of appraisals in connection with real estate related financial transactions below the threshold level.--*

(1) Study required. At the end of the 18-month period, and the end of the 36-month period, beginning on the date of the enactment of this subsection [October 29, 1992], the Comptroller General of the United States shall conduct a study on the adequacy and quality of appraisals or evaluations conducted in connection with real estate related financial transactions below the threshold level established under subsection (b), taking into account --

(A) the cost to any financial institution involved in any such transaction;

(B) the possibility of losses to the Bank Insurance Fund, the Savings Association Insurance Fund, or the National Credit Union Share Insurance Fund;

(C) the cost to any customer involved in any such transaction; and

(D) the effect on low-income housing.

(2) Reports to Congress and the appropriate Federal financial institutions regulatory agencies. Upon completing each of the studies required under paragraph (1), the Comptroller General shall submit a report on the Comptroller General's findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

SEC. 1113. Transactions requiring the services of a State certified appraiser

In determining whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser, an agency or instrumentality under this title shall consider whether transactions, either individually or collectively, are of sufficient financial or public policy importance to the United States that an individual who performs an appraisal in connection with such transactions should be a State certified appraiser, except that --

(1) a State certified appraiser shall be required for all federally related transactions having a value of \$1,000,000 or more; and

(2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser.

SEC. 1114. Transactions requiring the services of a State licensed appraiser

All federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser.

SEC. 1115. Time for proposal and adoption of rules

As appropriate, rules issued under sections 1113 and 1114 shall be proposed not later than 6 months and shall be effective upon adoption in final form not later than 12 months after the date of the enactment of this Act.

SEC. 1116. CERTIFICATION AND LICENSING REQUIREMENTS.

(a) *In general.* For purposes of this title, the term "State certified real estate appraiser" means any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation.

(b) *Restriction.* No individual shall be a State certified real estate appraiser under this section

unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualifications Board of the Appraisal Foundation.

(c) *Definition.* As used in this section, the term "State licensed appraiser" means an individual who has satisfied the requirements for State licensing in a State or territory.

(d) *Additional qualification criteria.* Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

(e) *Authority of the Appraisal Subcommittee.* The Appraisal Subcommittee shall not set qualifications or experience requirements for the States in licensing real estate appraisers, including a de minimus [sic] standard. Recommendations of the Subcommittee shall be nonbinding on the States.

SEC. 1117. Establishment of State appraiser certifying and licensing agencies

To assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers, a State may establish a State appraiser certifying and licensing agency.

SEC. 1118. Monitoring of State appraiser certifying and licensing agencies

(a) *In general.* The Appraisal Subcommittee shall monitor State appraiser certifying and licensing agencies for the purpose of determining whether a State agency's policies, practices, and procedures are consistent with this title. The Appraisal Subcommittee and all agencies, instrumentalities, and federally recognized entities under this title shall not recognize appraiser certifications and licenses from States whose appraisal policies,

practices, or procedures are found to be inconsistent with this title.

(b) *Disapproval by Appraisal Subcommittee.*--The Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that --

(1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;

(2) the State agency is not granted authority by the State which is adequate to permit the agency to carry out its functions under this title; or

(3) decisions concerning appraisal standards, appraiser qualifications, and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

(c) *Rejection of State certifications and licenses.*

(1) *Opportunity to be heard or correct conditions.* Before refusing to recognize a State's appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State's certifying and licensing agency a written notice of its intention not to recognize the State's certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.

(2) *Adoption of procedures.* The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.

(3) *Judicial review.* A decision of the subcommittee under this section shall be subject to judicial review.

SEC. 1119. Recognition of State certified and licensed appraisers for purposes of this title

(a) *Effective date for use of certified or licensed appraisers only.*--

(1) *In general.* Not later than December 31, 1992, all appraisals performed in connection with federally related transactions shall be performed only by individuals certified or licensed in accordance with the requirements of this title.

(2) *Extension of effective date.* Subject to the approval of the Council, the Appraisal Subcommittee may extend, until December 31, 1991, the effective date for the use of certified or licensed appraisers if it makes a written finding that a State has made substantial progress in establishing a State certification and licensing system that appears to conform to the provisions of this title.

(b) *Temporary waiver of appraiser certification or licensing requirements for State having scarcity of qualified appraisers.* Subject to the approval of the Council, the Appraisal Subcommittee may waive any requirement relating to certification or licensing of a person to perform appraisals under this title if the Appraisal Subcommittee or a State agency whose certifications and licenses are in compliance with this title, makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

(c) *Reports to State certifying and licensing agencies.* The Appraisal Subcommittee, any other Federal agency or instrumentality, or any federally recognized entity shall report any action of a State certified or licensed appraiser that is contrary to the purposes of this title, to the appropriate State agency for a disposition of the subject of the referral. The State agency shall provide the Appraisal Subcommittee or the other Federal agency or instrumentality with a report on its disposition of the matter referred. Subsequent to such disposition, the subcommittee or the agency or instrumentality may take such further action, pursuant to written procedures, it deems necessary to carry out the purposes of this title.

SEC. 1120. Violations in obtaining and performing appraisals in federally related transactions

(1) for a financial institution to seek, obtain, or give money or any other thing of value in exchange for the performance of an appraisal by a person who the institution knows is not a State certified or licensed appraiser in connection with a federally related transaction; and

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) to which such association or corporation is a party.

(b) *Penalties.* A financial institution that violates subsection (a)(1) shall be subject to civil penalties under section 8(i)(2) of the Federal Deposit Insurance Act or section 206(k)(2) of the Federal Credit Union Act, as appropriate.

(c) *Proceeding.* A proceeding with respect to a violation of this section shall be an administrative proceeding which may be conducted by a Federal financial institutions regulatory agency in accordance with the procedures set forth in subchapter II of chapter 5 of title 5, United States Code.

SEC. 1121. Definitions

For purposes of this title:

(1) *State appraiser certifying and licensing agency.* The term "State appraiser certifying and licensing agency" means a State agency established in compliance with this title.

(2) *Appraisal Subcommittee; subcommittee.* The terms "Appraisal Subcommittee" and "subcommittee" mean the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(3) *Council.* The term "Council" means the Federal Financial Institutions Examinations Council.

(a) *Violations.* Except as authorized by the Appraisal Subcommittee in exercising its waiver authority pursuant to section 1119(b), it shall be a violation of this section --

(4) *Federally related transaction.* The term "federally related transaction" means any real estate-related financial transaction which --

(A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and

(B) requires the services of an appraiser.

(5) *Real estate related financial transaction.* The term "real estate-related financial transaction" means any transaction involving --

(A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

(B) the refinancing of real property or interests in real property; and

(C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(6) *Federal financial institutions regulatory agencies.* The term "Federal financial institutions regulatory agencies" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporations, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

(7) *Financial institution.* The term "financial institution" means an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act or an insured credit union as defined in section 101 of the Federal Credit Union Act.

(8) *Chairperson.* The term "Chairperson" means the Chairperson of the Appraisal Subcommittee selected by the council.

(9) *Foundation.--*The terms "Appraisal Foundation" and "Foundation" means the Appraisal Foundation

established on November 30, 1987, as a not for profit corporation under the laws of Illinois.

(10) *Written appraisal.*--The term "written appraisal" means a written statement used in connection with a federally related transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

SEC. 1122. Miscellaneous provisions

(a) *Temporary practice.*

(1) *In general.* A State appraiser certifying or licensing agency shall recognize on a temporary basis the certification or license of an appraiser issued by another State if --

(A) the property to be appraised is part of a federally related transaction,

(B) the appraiser's business is of a temporary nature, and

(C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.

(2) *Fees for temporary practice.* A State appraiser certifying or licensing agency shall not impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice under this subsection.

(b) *Reciprocity.* The Appraisal Subcommittee shall encourage the States to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser certifying or licensing agency) to perform appraisals in other States.

(c) *Supplemental funding.* Funds available to the Federal financial institutions regulatory agencies may be made available to the Federal Financial Institutions Examination Council to support the council's functions under this title.

(d) *Prohibition against discrimination.* Criteria established by the Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation for appraiser qualifications in addition to State certification or licensing shall not exclude a certified or licensed appraiser for consideration for an assignment solely by virtue of membership or lack of membership in any particular appraisal organization.

(e) *Other requirements.* A corporation, partnership, or other business entity may provide appraisal services in connection with federally related transactions if such appraisal is prepared by individuals certified or licensed in accordance with the requirements of this title. An individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if--

(1) the assistant is under the direct supervision of a licensed or certified individual; and

(2) the final appraisal document is approved and signed by an individual who is certified or licensed.

(f) *Studies.*

(1) *Study.* The Appraisal Subcommittee shall --

(A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and

(B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.

(2) *Report.* The Appraisal Subcommittee shall --

(A) report its findings to the Congress with respect to the study described in paragraph (1)(A) no later

than 12 months after the date of the enactment of this title, and

(B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later **SEC. 1123. Emergency exceptions for disaster areas**

(a) *In general.* Each Federal financial institutions regulatory agency may, by regulation or order, make exceptions to this title, and to standards prescribed pursuant to this title, for transactions involving institutions for which the agency is the primary Federal regulator with respect to real property located within a disaster area if the agency --

(1) makes the exception not later than 30 months after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, that a major disaster exists in the area and

(2) determines that the exception --

(A) would facilitate recovery from the major disaster, and

(B) is consistent with safety and soundness.

(b) *3-year limit on exceptions.* Any exception made under this section shall expire not later than 3 years after the date of the determination referred to in subsection (a)(1).

(c) *Publication required.* Any Federal financial institutions regulatory agency shall publish in the Federal Register a statement that --

(1) describes any exception made under this section; and

(2) explains how the exception --

(A) would facilitate recovery from the major disaster, and

(B) is consistent with safety and soundness.

(d) *Disaster area defined.* For the purposes of this section, the term "disaster area" means an area in which the President, pursuant to section 401 of the

than 18 months after the date of the enactment of this title.

Robert T. Stafford Disaster Relief and Emergency Assistance Act, has determined that a major disaster exists.

* * *

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT REFORM ACT OF 1989
SEC. 142. FHA OPERATIONS.

* * * *

(e) *Appraisal standards.*

(1) The Secretary shall prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with uniform standards, by individuals who have demonstrated competence and whose professional conduct is subject to effective supervision. These standards shall require at a minimum -

(A) that the appraisals of properties to be insured by the Federal Housing Administration shall be performed in accordance with generally accepted appraisal standards, such as the appraisal standards promulgated by the Appraisal Foundation a not-for-profit corporation established on November 30, 1987 under the laws of Illinois; and

(B) that each appraisal is a written statement used in connection with a real estate transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(2) The Appraisal Subcommittee of the Federal Financial Institutions Examination Council shall include the Secretary or his designee.

Appendix C - Policy Statements

Policy Statements Regarding State Certification and Licensing of Real Estate Appraisers

Adopted on August 4, 1993

**APPRAISAL SUBCOMMITTEE POLICY STATEMENTS REGARDING
STATE CERTIFICATION AND LICENSING OF REAL ESTATE APPRAISERS**

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Introduction

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), entitled the "Real Estate Appraisal Reform Amendments," established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council ("ASC"). The ASC consists of representatives appointed by the heads of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision and the National Credit Union Administration ("Federal financial institutions regulatory agencies" or "Agencies") and the Department of Housing and Urban Development.

The ASC, among other things, is charged with monitoring the certification and licensing programs for real estate appraisers in each State to determine whether the State's policies, practices and procedures are consistent with Title XI and enforcing the State's compliance with the requirements of Title XI. This statute also requires the ASC to maintain a national registry of State licensed and certified appraisers, and to ensure that each State appraiser certifying and licensing agency ("State agency") transmits to the ASC a roster of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions, along with an annual Registry fee. States may establish and maintain procedures for certifying, licensing, supervising and disciplining individuals who are qualified to perform real estate appraisals in connection with Federal financial and public policy interests, including a code of professional responsibility as evidenced by the Uniform Standards of Professional Appraisal Practice

("USPAP"), as adopted by the Appraisal Standards Board of the Appraisal Foundation ("ASB"). Title XI, as well as other Federal statutes and regulations¹ requiring the use of State certified or licensed appraisers, necessarily relies on the States to perform their real estate appraiser related duties in a responsible manner.

In exercising its oversight responsibilities, the ASC reviews each State's overall appraiser regulatory program to determine compliance with Title XI. All of a State's requirements and policies need not be specifically set forth in statutes, but may be established by regulation, procedure or practice. Conversely, an otherwise adequate set of statutes or regulations can be undermined by inadequate implementation. In general, the ASC considers each State appraiser regulatory program to be valid unless the ASC formally rejects or disapproves the program using the procedures in 12 U.S.C. 3347 and 12 CFR part 1102, subpart B.

¹Two Federal statutes, Title XI and 12 U.S.C. 1708(e)(B), currently require the use of State certified or licensed real estate appraisers, as do certain Federal regulations and policies such as the Department of Transportation's regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Office of Management and Budget Circular No. A-129 and Bulletin No. 92-06, and the Uniform Standards for Federal Land Acquisitions.

In general, State agencies should take appropriate steps to ensure that each person seeking to qualify as a State certified or licensed appraiser has demonstrated his or her competency. To demonstrate competency, the ASC believes that States should ensure that appraisers meet appropriate education, testing and experience requirements. Moreover, State agencies should ensure that State certified or licensed appraisers continue to perform their assignments in a competent and ethical manner.

the Revised Guidelines; and (3) include new guidance on several issues.

Federal or State statutes or regulations may prescribe which transactions must have an appraisal performed by a State certified or licensed appraiser. For federally regulated financial institutions, Title XI mandates that State certified real estate appraisers perform all appraisals in connection with federally related transactions over \$1 million and complex one-to-four family residential properties.

Purpose

The ASC is issuing these Policy Statements to assist the States in the continuing development and maintenance of appropriate organizational and regulatory structures for certifying, licensing and supervising real estate appraisers. These Statements reflect the general framework that the ASC is using to review a State's program for compliance with Title XI. These Statements: (1) supersede the ASC's "Revised Guidelines" which were adopted on May 29, 1991, and published at 56 FR 26091 (June 6, 1991)²; (2) incorporate ASC advisories and opinions issued after the ASC's issuance of

²Concurrently with the adoption of these Policy Statements, the ASC voted to withdraw the Revised Guidelines and to publish a notice to that effect in the *Federal Register*.

Statement 1: State Regulatory Structure and Independence of Functions

The ASC does not impose any particular organizational structure upon the States. It is recognized that each State may have legal, fiscal, regulatory or other valid constraints that determine the structure and organization of its State agency. States, however, should adopt and maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest or the appearance of such conflicts. Ideally, States should maintain totally independent State agencies answerable only to the governor or a cabinet level official who has no regulatory responsibility for real estate licensing, promotion, development or financing functions ("realty related activities"). A State, however, may choose to locate its State agency within an existing regulatory body. Any State with its appraiser regulatory function in a department that regulates realty related activities must ensure that adequate safeguards exist to protect the independence of the appraiser regulatory function.

A State agency may be headed by a board, commission or individual. The organizational structure should provide maximum insulation for the State agency from the influence of any industry or organization whose members have a direct or indirect financial interest in the outcome of the agency's decisions.

Persons appointing officials to a State agency should not be associated or affiliated with an affected industry, *i.e.*, they should not have a direct or indirect financial interest in realty related activities. A State agency head, appointed by the governor and confirmed by the State legislature, would generally be considered independent.

The ASC believes that, as a matter of sound public policy, State appraiser boards or commissions should adequately represent the broad public interest by providing the public with a meaningful opportunity to participate in the agency's decision making process. A State agency should not be dominated in any way by any industry or profession and its board or commission should have one or more qualified public members. The ASC believes that domination of the State agency by representatives of affected industries would be inappropriate and inconsistent with Title XI. The ASC, however, recognizes that members of the appraisal industry should be significantly represented on the appraiser board or commission and believes that a board or commission may contain a majority of appraisers and still adequately represent the broad public interest. A State agency, board or commission, however, should reflect the interests of the State's entire community of appraisers and the general public and not the interests of any professional appraiser organization.

An individual heading a State agency should not be actively engaged in the appraisal business or in any realty related activity during his or her term of office or employment and for a reasonable period thereafter.

The ASC strongly urges that State agency decisions, especially those relating to license or certificate issuance, revocation and disciplinary actions, not be made by State officials who also are responsible for realty related activities. State officials should accept and implement the actions of the appraiser board unless they are

inconsistent with the public interest and trust. Additionally, such State agency decisions should be final administrative actions subject only to appropriate judicial review.

Statement 2: Appraiser Classifications

Title XI established, and the ASC has recognized, two designations or titles for appraisers: "State licensed" and "State certified." The Appraiser Qualifications Board of the Appraisal Foundation ("AQB") has approved a third designation, "certified residential appraiser," which the ASC has also recognized. Most of the States have adopted the certified residential appraiser classification. The ASC strongly urges States to use the federally recognized designations or titles, *i.e.*, State certified general appraiser, State certified residential appraiser and State licensed appraiser. The use of other designations or titles increases the likelihood of confusion among users and could result in the employment of appraisers who do not have the required designation to perform the appraisal for which they are engaged. Use of other designations may complicate and confuse State temporary practice and reciprocity arrangements. States that choose to use other designations or titles should ensure that they can be easily distinguished from the Federal designations.

States may also experience problems if their statutes or regulations specify the types of real estate transactions for which State certified and licensed appraisers may conduct appraisals. In general, for federally regulated financial institutions, these determinations rest with the Federal financial institutions regulatory agencies as set forth under 12 U.S.C. 3341. These Agencies have issued regulations prescribing the types of transactions for which certified or licensed appraisers are required.

Title XI generally requires a State certified general appraiser to be a person who: (1) meets

State statutes and regulations should defer to the Agencies' regulations in this area.

Some States have specifically included in their statutes or regulations restatements of the requirements set forth in the regulations issued by the Agencies relating to such matters as the value of transactions requiring certified or licensed appraisers, the specific skills of the appraisers and the complexity of appraisal assignments. These Federal requirements will probably be changed from time to time, thus creating conflicts with State requirements unless affected States act promptly to make conforming amendments to their statutes or regulations. The best way for States to avoid such problems is not to include any restatement of the requirements of the Agencies' regulations in State statutes or regulations.

Additional appraiser qualification requirements may be imposed by any State or Federal agency or other user of appraisal services if they consider such qualifications necessary to carry out their responsibilities under Federal statutes and regulations.

The ASC will continue to review each State's education requirements to ensure, for licensing, that they are meaningful both as to the breadth of subject matter and length of required study, and, for certification, that they at a minimum conform to the requirements of the AQB.

A. State Certified General Appraiser

at least the minimum AQB criteria for "Certified General Real Property Appraiser";

and (2) passes a State administered examination issued or endorsed by the AQB. The AQB criteria for initial certification include 165 classroom hours in courses related to specified real estate appraisal matters and 2,000 hours of appraisal experience (with at least 50 percent in non-residential appraising). For recertification, an appraiser needs to accumulate at least ten classroom hours of continuing education course work for each year during the period preceding certification renewal. Continuing education hours can be accumulated at any time before the certification renewal date.

B. State Certified Residential Appraiser

While Title XI does not specifically mention the State Certified Residential Appraiser designation, it was adopted by the AQB and the ASC recognized it. A State certified residential appraiser is a person who: (1) meets at least the minimum AQB criteria for "Certified Residential Real Property Appraiser"; and (2) passes a State administered examination issued or endorsed by the AQB. The current AQB criteria for this classification include 105 classroom hours of real estate appraisal education courses and 2,000 hours of appraisal experience. For recertification, an appraiser needs to accumulate at least ten classroom hours of continuing education for each year during the period preceding certification renewal. Beginning on January 4, 1994, the AQB education requirement will be 120 classroom hours.

C. State Licensed Appraiser

Title XI does not specifically set the qualifications requirements for licensing appraisers. Nor does it establish State appraiser licensing as an entry level or trainee

designation. States are free to establish meaningful qualifications criteria for licensed appraisers, including education, testing, experience, and continuing education requirements that demonstrate knowledge and competency. If States choose, they may base their licensing standards on the AQB's "Licensed Real Property Appraiser" classification, and all States should require persons to pass a meaningful, State approved written test before receiving a license. Such a test may be one issued or endorsed by the AQB, but, in any event, it should be independently reviewed and validated by a qualified source.

The ASC will not object if States adopt the AQB's two-year experience recommendation for the "Licensed Real Property Appraiser", *i.e.*, a minimum of 2,000 hours. The ASC, however, recognizes that other meaningful ways exist for the States to ensure that persons of demonstrated competency qualify for State licensing by utilizing different combinations of education and experience requirements in conjunction with an appraiser testing program. States may consider one or more of the following approaches:

- Less than 2,000 hours of experience, if such experience was obtained under the direct supervision of a State certified or licensed appraiser;
- State agency review of a minimum number of appraisal reports prepared by the applicant;
- A practical examination consisting, for example, of the satisfactory completion of one or more appraisal reports from case studies or an actual field appraisal;

- A higher level of required education, such as a degree in real estate appraisal or
- A program in which the State agency grants a provisional license to an individual who has the required education and has passed an appropriate examination, but requires that the appraiser obtain the experience [and training] necessary to demonstrate his or her competence within a limited period of time.

The ASC believes that the time allowed to achieve the necessary hours of experience should not be limited to a set time frame. Appraisal experience may include, but need not be limited to, performing or assisting in fee and staff appraisals, *ad valorem* tax appraisals, mass appraisals, review appraisals, appraisal analyses, real estate counseling, highest and best use analyses and feasibility analyses or studies or teaching appraisal courses. A State may choose to accept real estate related experience, *e.g.*, work as a real estate lending officer or a real estate broker, for some or all of its experience requirement if such experience actually entailed the performance or professional review of real estate appraisals.

The ASC, likewise, acknowledges that the AQB's recommended education criterion for a "Licensed Real Property Appraiser" reflects a meaningful level of education. This standard currently is 75 classroom hours in specific subjects listed in the published criteria. As discussed above, a State may establish other appropriate education requirements, so long as they are consistent with Title XI.

The ASC believes that it is important for States to provide for the continuing education of appraisers as part of their licensing requirement. In that regard, the AQB's continuing education recommendation for a licensed real property appraiser, which is ten classroom hours for each year of the period preceding the renewal of the license, is reasonable.

similar degree; and

During the initial period of implementing Title XI, the ASC accepted the concept of transitional licensing to allow practicing appraisers to continue in the profession even though they did not meet all of the qualifications for licensing. Transitional licensing enabled persons to become licensed when they passed the appropriate test but lacked either the educational or the experience requirements adopted by the State. States generally have required: (1) transitionally-licensed appraisers to satisfy the missing requirements within no more than two years after being tested and transitionally licensed by the State; and (2) each transitional license to indicate clearly its transitional nature, period of validity and a non-extendable termination date.³

The ASC believes that transitional licensing, as it has existed, is no longer necessary because practicing appraisers should have had ample time and opportunity to meet the States' requirements for experience and education. Therefore, the ASC believes that there is no longer a need for States to award transitional licenses or to extend or renew previously issued transitional licenses.

³Title XI requires that the States establish certification criteria that, at a minimum, are consistent with the AQB's certification qualifications. These qualifications require persons to complete all education requirements before they can take a certification examination. Transitional or provisional certification is not consistent with the AQB's requirements.

However, as set out above, the ASC recognizes that there is a need for programs to facilitate the entry of individuals into the profession and is encouraging States to create meaningful mechanisms to help ensure the entry of competent individuals into the appraisal profession (such as provisional licensing programs). Indeed, these programs very well may incorporate some of the features of transitional licensing.

Statement 3: Appraisal Standards

Real estate appraisals generally must be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the ASB, *i.e.*, USPAP. Each State, by statute or by regulation, has incorporated USPAP into State law. State agencies should take steps to ensure that State statutes or regulations automatically incorporate the latest version of USPAP, including related ASB Statements, Interpretations, Advisory Opinions and other ASB formal guidance on the meaning and

application of USPAP. Some States have incorporated dated or limited versions of USPAP into their statutes or regulations. This can cause confusion and conflict for certified and licensed appraisers, who must comply with professional standards adopted by the ASB that are different than those adopted by their State. State agencies should apply and enforce identical provisions of USPAP. Therefore, the ASC urges all States to incorporate USPAP as the minimum appraisal standard by general reference into their laws or regulations.

Statement 4: Written Appraisal Reports

Title XI specifically mandates that all appraisals performed in connection with federally related transactions be in written form. The written appraisal must adequately explain the certified or licensed appraiser's opinion of the property's value as of a specific date with a

description of the property and presentation of the relevant market information with supporting analysis. This requirement has been incorporated into other Federal statutes and regulations.

Statement 5: Temporary Practice

Title XI requires a State agency to recognize on a temporary basis the certification or license of an appraiser from another State provided: (1) the property to be appraised is part of a federally related transaction; (2) the appraiser's business is of a temporary nature; and (3) the appraiser registers with the State appraiser regulatory agency in the State of temporary practice. Thus, a certified or licensed appraiser from State A, who has an assignment concerning a federally related transaction in State B, has a statutory right to enter State B, register with the State agency in State B and perform the assignment. Title XI does not require State B to offer temporary practice to persons who are not certified or licensed appraisers, including appraiser assistants not under the direct supervision of an appraiser certified or licensed in State A. An out-of-State certified or licensed appraiser should register for temporary practice before beginning to perform an appraisal assignment in connection with a federally related transaction.

States may not require temporary practitioners to obtain a certification or license in the State of temporary practice. Instead, the State must recognize the certificate or license issued by the individual's State of permanent certification or licensing. A State agency: (1) must allow temporary practice even though the State of permanent certification or licensing has differing requirements for certification or licensing,⁴ unless the latter State's certifications

⁴The lender is required to select and determine whether the appraiser is qualified for the assignment. If the appraiser is qualified in his or her home State to perform the assignment, the lender should be able to assume that the appraiser is qualified to perform the appraisal under temporary practice provisions.

or licenses are not recognized by the ASC under 12 U.S.C. 3347; (2) should not put in place time consuming or complicated temporary practice registration procedures; and (3) should not have excessive temporary practice fees. The ASC strongly urges State agencies not to impose any practices or requirements that operate as an unreasonable impediment to temporary practice.

The State agency should process temporary practice registrations in an efficient and effective manner. An acceptable model for temporary practice procedures would include: (1) a nominal per assignment fee; (2) proof of a valid license or certificate; and (3) the completion of a reasonable temporary practice registration form.⁵ The State agency should promptly process the form.

⁵The form should be designed to identify the appraiser and the assignment. In addition, the form should request the appraiser's signature affirming that he or she currently is not subject to any appraiser certification or licensure disciplinary proceeding in any State, and that his or her license or certificate is fully valid and in good standing.

An out-of-State certified or licensed appraiser must comply with the host State's real estate appraisal statutes and regulations. Each appraiser who receives temporary practice registration is subject to the State's full regulatory jurisdiction and is governed by the State's statutes and regulations respecting appraiser certification or licensing. However, the out-of-State appraiser should be treated like any other appraiser within the State who wishes to perform an appraisal in a federally related transaction.

The State agency in the State of temporary practice needs to follow up on any complaints regarding the temporary practicing appraiser's appraisal activities within the State. If appropriate, the host State agency should commence a disciplinary proceeding against the appraiser for violations occurring in its jurisdiction and should not just forward the complaint for follow up to the State agency in the appraiser's home State. The ASC expects the home State agency to honor the findings and judgment of the State agency in the State of temporary practice and take appropriate disciplinary action against the appraiser.

The ASC believes that "temporary" is best measured by one or more specific appraisal assignments and not by a fixed time period or number of properties to be appraised. 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.

A State agency may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her

temporary practice rights in a given year. If such an overall policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser's temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal within the State.

Finally, some State agencies have sought to require that an appraiser register for temporary practice if the appraiser is certified or licensed in another State, performs a technical review of an appraisal in that other State and changes, or is authorized to change, a value in the appraisal. The ASC, however, has concluded that for federally related transactions the review appraiser need not register for temporary practice or otherwise be subjected to the regulatory jurisdiction of the State agency in which the appraisal was performed, so long as the review appraiser does not perform the technical review in the State within which the property is located.

Statement 6: Reciprocity

Many interested parties have commented that reciprocity is at least as critical as temporary practice. While temporary practice is specifically required by Title XI, reciprocity is not and involves a permanent recognition of another State's certified or licensed appraisers. Under reciprocal arrangements, an appraiser who is certified or licensed in State A and is also reciprocally certified or licensed in State B must comply with both States' appraiser laws, including those requiring the payment of certification, licensing and Federal Registry fees and continuing education. Indeed, the appraiser for all intents and purposes is treated as if he or she were separately certified or licensed in each of the States.

The ASC suggests that States consider implementing, at a minimum, the following features in their reciprocity policies:

- A simple application;
- No reexamination;
- No additional review of an applicant's education or experience;
- Reciprocal licensing or certification fees similar in amount to the corresponding fees for "home" State appraisers; and
- The collection and forwarding to the ASC of the National Registry fee for each reciprocally licensed or certified appraiser.

Methods for providing reciprocity vary from State to State. Some States may implement formal agreements with other States, whereby a certified or licensed appraiser in good standing from one State applies for, and is granted, certification or licensing in the other States upon submission to the other States of a copy of his or her credentials, a statement of

good standing, a consent for service of suit and the payment of appropriate fees. Other States, without a formal agreement, but with similar documentation requirements, may grant the requested certificate or license upon the payment of the second State's fee. Still other States may accept the examination of other States, but require the remainder of the application to be completed by the applicant and reviewed by the State agency. Finally, States, by agreement, may allow their certified or licensed appraisers who are in good standing to practice freely within these States without any additional State qualifications or procedures. Appraisers certified or licensed in one State would not be required to apply for reciprocal certification or licensing in the other State or States and pay related certification or licensing fees. In general, the basic requirements for appraisal practice within the "free practice" area would be showing a valid certificate or license and being competent to perform the assignment under USPAP and Federal and State statutes and regulations. In addition, as an exception to Statement 8 below, States following this "drivers license" approach to reciprocity would not need to collect and forward to the ASC National Registry information and fees concerning reciprocally certified or licensed appraisers.

Reciprocity's main benefit is that appraisers who qualify for certification or licensing in one State may freely cross into another State without needing to "register" for each appraisal assignment in the other State. Therefore, a duly certified or licensed appraiser in one State can be recognized as such in each of the other States in which he or she is licensed or certified by reciprocity.

The ASC endorses reciprocity and urges the States to establish permanent reciprocity arrangements promptly to address the needs of certified or licensed appraisers who practice on a non-temporary, multistate basis.

Statement 7: Prohibition Against Discrimination

State agencies should be aware that Title XI and the Agencies' regulations prohibit federally regulated financial institutions from excluding appraisers from consideration for an assignment solely by virtue of their membership, or lack of membership, in any appraisal organization. Federally regulated financial institutions should review the qualifications of appraisers to ensure that they are qualified for the assignment for which they are being considered. It is unacceptable to assume that an appraiser is qualified solely due to membership in, or designation from, an appraisal organization, or the lack thereof. The Agencies have determined that financial institutions' appraisal policies should not favor appraisers from one or more organizations or exclude individuals based on their lack of such membership. If a State agency learns that a certified or licensed appraiser allegedly has been a victim of such discrimination, the State agency should inform the Agency which has regulatory authority over the involved financial institution.

The ASC has determined that such discrimination also is inappropriate in the establishment and administration of a State's certification and licensing system. The ASC urges States to adopt legislation, regulations or other procedures to prohibit such discriminatory practices.

In addition, State agencies should avoid discriminatory practices regarding appraiser educational course providers. Some State agencies inappropriately: (1) have charged a course review fee to private course providers while not charging such a fee to certain professional appraiser organizations; (2) have

delayed approval of private school appraisal courses while rapidly approving those of professional appraiser organizations; and (3) have forced non-affiliated proprietary schools to maintain and use fixed school room locations, while certain professional appraisal organizations have been allowed to teach courses at non-fixed commercial sites, such as hotels, motels and office locations. State agencies should review their internal procedures and take steps to ensure that all educational providers are afforded equal treatment in all respects, including course review fees, timeliness of review and course location requirements.

Statement 8: National Registry of State Certified and Licensed Appraisers

A. General Roster and Registry Fee Requirements

Title XI requires the States to transmit to the ASC no less than annually: (1) a roster listing individuals who have received a State certification or license to perform appraisals, and (2) a \$25 Registry fee from individuals who have received certification or licensing. Fee and roster requirements apply to all individuals who receive State certifications or licenses originally or by reciprocity, whether or not the individuals in fact are performing, or plan to perform, appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers and a Registry fee is due from each State in which the appraiser is certified or licensed. Only appraisers on the National Registry are qualified to perform appraisals in connection with federally related transactions.

B. Description of National Registry

The ASC has provided the States with detailed specifications relative to the data elements which comprise the Registry and related accounting procedures. States should use systems for data input and maintenance that recognize specifications of the ASC system to ensure system compatibility.

To assist the States in recording and submitting data efficiently and cost effectively, the ASC has developed a personal computer

The ASC will consider an appraiser to be inactive if his or her certificate or license renewal fee is not received with the State's National Registry update report for the month

software package. It is contained on diskettes and is provided at no charge. The Social Security Number of individual appraisers is not a data element. The ASC creates a unique identifier for each appraiser and protects each appraiser's privacy rights.

C. Registry Fee Policies

Each State must pay the ASC a National Registry fee on an annual basis for each State certified or State licensed appraiser listed on the National Registry. The annual fee for each certified or licensed appraiser is \$25. Checks should be made payable to the "Appraisal Subcommittee." Fees will not be prorated or refunds granted for partial year registrations. For example, the fee for adding a name to the Registry in February is \$25, and, for adding a name in November, remains \$25. Each of these appraisers then would be required to renew his or her listing on the National Registry one year later, *i.e.*, in February and November, as the case may be. States must submit the required fee with the name of a State certified or State licensed appraiser to the ASC before the name can be entered into the Registry. Without the required fee, the name will not be entered, and the individual will not be eligible to perform appraisals in federally related transactions. If a State issues multiple-year certifications and licenses and collects multiple-year fees, the State should submit to the ASC the total amount of the multiple year National Registry fees.

in which the renewal is due. When in an inactive status, appraisers may not perform appraisals in connection with federally related transactions, and the appraiser's name will be

dropped from the National Registry. The ASC will change an appraiser from inactive to active status and reinstate his or her name on the Registry only upon its receipt of the renewal fee and appropriate renewal information from the State agency.

D. Public Availability of Registry Data

The releasable portions of National Registry information can be obtained through the National Technical Information Service ("NTIS"). Personal information about an individual appraiser is protected by the Privacy Act, 5 U.S.C. 552a, and the ASC does not make it available to NTIS.

Subscriptions to Registry updates are available through NTIS, as are record sorts by factors such as State and zip code. When requesting Registry data, refer to it by its NTIS catalogue name: *The Real Estate Appraisers Registry*. Additional information about the Registry data base can be secured by writing to the following address:

U. S. Department of Commerce
National Technical Information Service
Room 301-F
5285 Port Royal Road
Springfield, VA 22161
Telephone: (703) 487-4812
Fax: (703) 321-8547

Requests for information on a particular appraiser or group of appraisers can best be handled by the State agency that issued the certificate(s) or license(s).

To ensure the accuracy and integrity of the National Registry, State agencies should designate a State agency officer or employee

who will serve as the State agency's Registry contact official. The State agency should advise the ASC in writing regarding the selected designee and should ensure that the authorization is kept current. The ASC will accept inquiries and information relating to National Registry data from this authorized individual only.

Access to the data contained in the National Registry is generally limited to Registry contact officials and duly authorized officers and employees of the Agencies and the ASC. Other persons should request information primarily from NTIS and/or the particular State agency issuing the certification or license. The ASC, however, will directly provide releasable National Registry information to persons upon their filing of a written request under the Freedom of Information Act, 5 U.S.C. 552, and the ASC's related rules in 12 CFR part 1102, subpart D (1993).

Statement 9: Information Sharing

The ASC believes that the routine exchange of certain information among lenders, State agencies and the ASC is essential to meeting the goals of Title XI.

A. National Registry Data

It is critical for State agencies to report expeditiously to the ASC the name of each appraiser whose license or certification has been suspended, revoked or against whom disciplinary action in connection with appraisal work is pending. Knowledge of such action should be communicated to the ASC as quickly as possible by the Registry contact official. Additionally, the information should be included on the State agency's regular National Registry update. ASC staff will identify other States in which the affected appraiser is certified or licensed and will communicate the necessary information to the other States' Registry contact officials, as necessary.

B. Information Pertaining to Appraiser Conduct and Practices

1. State Agency/Lender Communications

Title XI requires "any federally recognized entity," *e.g.*, a federally regulated institution, to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. In turn, the State agency shall provide the ASC with a report regarding the disposition of such a matter.

The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser

regulation. Prompt reporting by regulated institutions to the ASC should enable State agencies to investigate appraiser actions and should help to ensure that a resulting suspension or revocation of an appraiser's certificate or license will be communicated promptly to the ASC. At that point, the ASC will remove the appraiser's name from the National Registry, thereby protecting against the appraiser being available to perform appraisals for federally related transactions or for other transactions requiring the use of State certified or licensed appraisers. As part of its State agency monitoring process, the ASC will evaluate the effectiveness with which each State agency follows up complaints from financial institutions and other persons who report instances of appraiser incompetence or unethical behavior.

2. Communications Among State Agencies

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities. To ensure this accountability, State agencies need to establish routine ways to communicate with each other regarding matters of mutual interest, including the activities and status of persons who are certified or licensed in multiple States.

C. ASC Information "Clearing House" Operations

To facilitate the development of reciprocity among the States and the creation of State appraiser trainee/apprentice/intern programs, the ASC is developing a database of information that will be available to State agencies outlining each State's reciprocity requirements and interstate agreements as well as the features of existing appraiser trainee/apprentice/intern programs. The ASC is urging: (1) each State to maintain with the ASC a listing of all reciprocity agreements with other States (together with copies of such agreements), and (2) each State with a trainee/apprentice/intern program to maintain with the ASC a current summary of the program's requirements and features.

Statement 10: Enforcement

A. The Scope of State Agency Enforcement Programs

In the ASC's view, Title XI intends that States supervise all of the activities and practices of persons who are certified or licensed to perform real estate appraisals in connection with all real estate appraisals involving real estate related financial transactions, and not just federally related transactions. The Federal agencies and all employers of appraisers must rely on the States to effectively regulate, supervise and discipline their certified and licensed appraisers -- in other words, to assure their professional competence. Accordingly, a State agency with knowledge of inappropriate behavior by a certified or licensed appraiser committed in connection with an appraisal of a non-federally related transaction should take appropriate action to investigate that behavior and to discipline the appraiser.

As noted, Federal statutes and regulations require the use of State certified or licensed appraisers in certain real estate transactions. A few State statutes, however, do not require the use of certified and licensed appraisers in those circumstances. The ASC recommends that State statutes or regulations authorize the State

Title XI and other Federal statutes and regulations specifically require the use of only State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions. A State may not exempt any individual or group of individuals from meeting the State's certification or licensing requirements if the individual or group member performs an appraisal where Federal statutes and regulations require the use of a certified or licensed

agency or another appropriate State authority to take action, as necessary, against an uncertified or unlicensed person who performs an appraisal for which a State certified or licensed appraiser is required under Federal statute or regulation. The ASC believes that, to preserve the integrity of the system for regulating the appraisal process, States should have sufficient legal tools, *e.g.*, a State law prohibiting a person from misrepresenting his or her professional status and authority, to take such actions.

B. Audit of Experience and Education Submissions

While the ASC has no preference for any specific methodology, State agencies, at a minimum, should have a reliable means of validating both education and experience credit claimed for certification or licensing. The ASC believes the lack of routine verification procedures is both an invitation to potential fraud and a threat to the integrity of a State's appraiser regulatory program.

C. Exemptions

appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated bank, thrift or credit union would not be permitted to perform an appraisal in connection with a federally related transaction. States with exemption provisions should take steps to ensure that the provisions are not being used or interpreted to

avoid the use of certified or licensed appraisers in transactions governed by Federal law.

D. Supervising Uncertified and Unlicensed Appraiser Assistants

Title XI provides that an individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if the assistant is under the direct supervision of a licensed or certified appraiser and the final appraisal is approved and signed by that appraiser. The ASC believes that this provision should not be used to legitimize situations where one or more uncertified or unlicensed persons are not actively and directly supervised by a certified or licensed appraiser during the

preparation of the significant aspects of the appraisal process, and the certified or licensed appraiser does not substantively review the appraisal in accordance with USPAP's requirements. The ASC believes that any cursory review should not qualify as direct supervision and that such activities would violate the intent and purposes of Title XI. The ASC, therefore, urges State agencies to ensure that their appraiser regulatory programs can identify situations where direct supervision is not present and to take appropriate steps to remedy them.

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Appendix D

Summary of National Registry Submissions as of December 31, 1994

Summary of National Registry Submissions as of December 31, 1994

<u>STATE</u>	<u>CERTIFIED GENERAL</u>	<u>CERTIFIED RESIDENTIAL</u>	<u>LICENSED</u>	<u>TRANSITIONAL LICENSED</u>	<u>TOTAL</u>
Alabama	380	73	476	-	929
Alaska	63	67	-	-	130
Arizona	652	576	208	2	1438
Arkansas	322	265	78	290	955
California	4706	5965	3424	3337	17432
Colorado	1011	597	449	-	2057
Connecticut	602	546	31	-	1179
Delaware	105	107	28	-	240
District of Columbia	214	206	-	-	420
Florida	1931	2361	76	-	4368
Georgia	1194	715	648	-	2557
Hawaii	154	208	38	-	400
Idaho	185	117	154	-	456
Illinois	859	1214	3051	-	5124
Indiana	428	679	381	-	1488
Iowa	516	342	116	-	974
Kansas	372	251	202	18	843
Kentucky	237	266	31	3	537
Louisiana	297	423	-	-	720
Maine	312	219	37	-	568
Maryland	517	527	327	516	1887
Massachusetts	720	593	304	933	2550

<u>STATE</u>	<u>CERTIFIED GENERAL</u>	<u>CERTIFIED RESIDENTIAL</u>	<u>LICENSED</u>	<u>TRANSITIONAL LICENSED</u>	<u>TOTAL</u>
Michigan	900	-	1748	-	2648
Minnesota	714	701	206	-	1621
Mississippi	387	307	476	-	1170
Missouri	1325	14	121	-	1460
Montana	181	133	26	-	340
Nebraska	295	8	190	-	493
Nevada	371	262	111	-	744
New Hampshire	388	299	90	-	777
New Jersey	1197	697	965	-	2859
New Mexico	156	124	34	-	314
New York	1268	1810	377	-	3455
North Carolina	446	719	24	-	1189
North Dakota	125	-	61	24	210
Ohio	735	846	633	-	2214
Oklahoma	419	353	473	-	1245
Oregon	336	-	467	80	883
Pennsylvania	1205	1726	-	-	2931
Puerto Rico	90	-	-	-	90
Rhode Island	100	93	32	10	235
South Carolina	496	498	312	357	1663
South Dakota	150	-	94	51	295
Tennessee	540	588	217	4	1349
Texas	2422	1639	178	-	4239
Utah	293	269	2	-	564
Vermont	38	7	10	-	55

<u>STATE</u>	<u>CERTIFIED GENERAL</u>	<u>CERTIFIED RESIDENTIAL</u>	<u>LICENSED</u>	<u>TRANSITIONAL LICENSED</u>	<u>TOTAL</u>
Virginia	511	436	321	-	1268
Washington	683	976	321	-	1980
West Virginia	174	207	91	61	533
Wisconsin	535	824	313	357	2029
Wyoming	157	79	-	-	236
Guam	13	8	3	-	24
Northern Mariana Islands	5	-	4	-	9
Virgin Islands	18	9	1	-	28
Total	32450	29949	17960	6043	86402

Appendix E

Status of Temporary Practice on December 29, 1994

Prepared by the
Appraisal Subcommittee
Policy Staff
December 29, 1994

All of the States and territories, except Michigan and Wyoming, have instituted a temporary practice program. In response to ASC guidance issued both in the form of Policy Statements and field review letters, each now unconditionally recognizes appraisers licensed or certified by another State who have a temporary assignment concerning a federally related transaction. For most, the registration process involves the submission of: (1) a notarized application, which essentially identifies the visiting appraiser, the property being appraised and the expected beginning and ending date of the appraisal assignment; (2) a copy of the license or certification held in the appraiser's State of domicile; and (3) a letter of good standing (also referred to as a licensing history or license certification) issued by the appraiser's home State. These requests, if complete, are processed on a priority basis and issued on average within three working days.

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
AL	Issued per assignment for 90 day periods, may request extension	\$50	-Notarized application -Letter of good standing -Copy of designation	none	\$0
AK	Issued per assignment for a period not to exceed 90 days	\$150	-Notarized application -Copy of all designations -address for service of process	-An individual is limited to 1 permit a year -Appraiser must submit to the Board a copy of the report prepared within 30 days of completion of the assignment	
AZ	Issued for one assignment for a period not to exceed 1 year	\$150	-Notarized application -Letter of good standing -Copy of designation	-Mandatory State but issued for FRT's only	\$10
AR	May perform any number of assignments for a period not to exceed 6 months	\$150	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	none	\$0
CA	May perform a single appraisal over a maximum	*\$50	-Notarized application -Letter of good standing	Not required if appraiser	\$10

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
	of 1 year		-Copy of designation -Consent to service of process	associates with a CA appraiser to assist in preparing an appraisal	
CO	Issued per assignment for a period not to exceed 90 days	\$40	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Mandatory State but issued for FRT's only	\$0 w/ State seal \$15
CT	Issued per assignment for a period not to exceed 90 days	\$150	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-May only work for one client -Provisional licensees must work under the supervision of a CT appraiser	\$25
DE	Issued per assignment and expires upon the completion of that assignment	\$25	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process -Signed statement that the applicant has read and will abide by the State's laws and regulations	None	\$10
DC	Issued per assignment for a period not to exceed 6 months	\$425	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Mandatory State but issued for FRT's only -True copy of course work submitted or affidavit under seal from course providers	\$20
FL	Issued per assignment and expires upon completion of that assignment	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Issued for FRT's only, however a broker's license would be required for a non-FRTs	\$25

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
			-Signed statement that the applicant has read and will abide by the State's law and regulations	-Applicant can not be a resident of FL	
GA	Any number of assignments over a 1 year period	\$150	-Notarized complete application for licensure or certification -Letter of good standing -Copy of designation -Consent to service of process	Note-The applicant is issued a permanent license or certificate but processing is abbreviated due to prior license or certification status	\$0
HI	Issued per assignment and expires upon completion of that assignment	\$25	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process -Signed statement that the applicant has read the State law and regulations -Copy of appraisal contract	-State law is mandatory for FRT's only, so temporary permits are issued solely for FRT's	\$15
ID	Issued per assignment for a period not to exceed 4 months	\$100	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-A licensed or certified appraiser transferring to ID may receive a temporary permit to perform any number of assignments which is valid until the next qualifying examination is offered	\$25
IL	Issued per assignment for 60 day periods, but may be extended	\$80	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-An individual is limited to 2 permits per calendar year -Performance period may be	\$0 w/State seal \$20

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
				extended for 30 days upon written request and payment of an additional \$80 fee	
IN	Issued per assignment and expires upon completion of that assignment	\$10	-Letter of good standing -Copy of designation -Consent to service of process	-An individual may not receive more than 4 permits a year	\$10
IA	Issued per assignment and expires upon completion of that assignment	\$0	-Application or letter requesting temporary practice which identifies the property, client, and estimated length of the assignment -Letter of good standing -Copy of designation	-Voluntary State so issued for FRT's only -Board limits an individual to 1 permit per year	\$0
KS	Issued per assignment and expires upon completion of that assignment	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$10
KY	Issued per assignment for a period which may not exceed 6 months	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Voluntary State so issued for FRT's only	\$10
LA	Issued per assignment and expires upon the completion of that assignment	\$50	-Letter requesting temporary practice which identifies the property, client, and estimated length of the assignment -Copy of designation	-Voluntary State so issued for FRT's only -Law only recognizes temporary certification but in practice temporary licensure is also recognized	\$0
ME	Issued per assignment for a period not to exceed 6	\$200	-Notarized application -Letter of good standing	-No more than 2 permits may be	\$10

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
	months		-Copy of designation -Consent to service of process -Copy of appraisal contract	granted to an individual in any 2 year period	
MD	Issued per assignment for a period not to exceed 6 months	\$0	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Board imposed limit of 3 permits in a 12 month period	\$15
MA	Issued per assignment for a period not to exceed 6 months, but may be extended upon request	\$75	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	- State law is mandatory for FRT only, so temporary permits are issued solely for FRT's	\$10
MI	Does not have temporary Practice	N/A	N/A	N/A	\$15
MN	Issued per assignment and expires upon completion of that assignment	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$10
MS	Issued per assignment for a period not to exceed 90 days	\$75	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$0
MO	Issued for one or more specified assignments and expires upon the completion of that (those) assignment (s)	\$0	Letter of notification which identifies the property, client, and estimated length of the assignment	State law is voluntary, so temporary permits are issued solely for FRT's	\$0
MT	Issued per assignment for a period not to exceed 6 months	\$150	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process -Copy of appraisal	None	

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
			contract		
NE	Issued per assignment for a period not to exceed 6 months	License \$200; Certificate \$225; non-FRT's \$150	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$10
NV	Issued per assignment and expires upon completion of that assignment	\$75	-Notarized application including a photograph -Letter of good standing -Copy of designation -Consent to service of process -Copy of appraisal contract or engagement letter -Signed statement that the applicant understands the NV statute and regulations	-The application includes an experience log that must be completed	\$10
NH	Issued per assignment and expires upon completion of that assignment	Commercial \$150 Residential \$50	-Application -Copy of designation -Letter of good standing -Notarized consent to service of process form	Note- temporary practice offered in practice. There are no authorizing provisions in NH statute or regulations	\$10
NJ	Issued per assignment and expires upon completion of that assignment	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Limit number of permits issued to an individual to 3 per calendar year	\$40
NM	Issued per assignment for a period not to exceed 6 months	\$100	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Mandatory State but issued for FRT's only	\$25
NY	Any number of assignments over a 1 year period	\$125	-Notarized complete application for licensure	Note-The applicant is issued a	\$5

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
			or certification -Letter of good standing -Copy of designation -Consent to service of process	permanent license or certificate but processing is abbreviated due to prior license or certification status	
NC	Issued per assignment and expires upon completion of that assignment	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$10
ND	Issued for one appraisal or for multiple property assignments for a period not to exceed 6 months	One appraisal \$50 Multiple \$100	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Voluntary State so issued for FRT's only	\$0
OH	Issued per assignment and expires upon completion of that assignment	\$100	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Voluntary State, so issued for FRT's only -Limited number of permits issued to an individual to 2 per calendar year	\$20
OK	Issued per assignment and expires upon completion of that assignment	*\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$0
OR	Issued per assignment and expires upon completion of that assignment	*\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$20
PA	Issued per assignment for a period not to exceed 60 days, may request one 60 day extension	\$25	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	- Issued for FRT's only, however a broker's license would be required for a non-FRT	\$10

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
RI	Issued per assignment for a period not to exceed 90 days. Extensions for an additional 30 days-\$50	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$10
SC	Issued per assignment for 6 months may request an extension	\$50	-Notarized application -Letter of good standing -Consent to service of process	- State law is mandatory for FRTs only, so temporary permits are only issued for FRT's	\$15
SD	Issued per assignment and expires upon completion of that assignment	\$200	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process -Copy of appraisal contract	-Voluntary law so issued for FRT's only -Rules set a 6 month time limitation, but it is not enforced by the Board	\$0
TN	Permits issued for the appraisal of one parcel expires upon completion of the assignment. Permits issued for multiple properties expires after 60 days	\$100 (both types)	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	None	\$25
TX	Issued per assignment for a period not to exceed 60 days	\$25	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	Issued for FRT's only, however a real estate broker's license would be required for a non-FRT	\$10
UT	Issued per assignment for a period not to exceed 6 months	\$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	Note-UT does not have a licensed category but offers temporary practice to license holders from other States	\$10
	Issued per assignment and		-Notarized application	State law is	

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
VT	expires upon the completion of that assignment	\$50	-Letter of good standing -Copy of designation -Consent to service of process	mandatory for FRT's only, so temporary permits are only issued for FRT's	\$20
VA	Issued per assignment and expires upon completion of that assignment	*\$50	-Abbreviated application -Letter of good standing -Consent to service of process	None	\$25
WA	Issued per assignment for a period not to exceed 90 days	\$150	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-An individual may not receive more than 2 permits in a 12 month period	\$25
WV	Issued per assignment for a period not to exceed 6 months, but may be renewed upon request	Commercial \$100 Residential \$50	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-An individual may not receive more than 4 permits in a calendar year	\$0
WI	Issued per assignment and expires upon completion of that assignment	\$10	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-State law is voluntary so issued for FRT's only	\$10
WY	Does not have Temporary practice				\$10
GU	Issued per assignment and expires upon completion of that assignment	\$0	Must register with the Director of Revenue and taxation	-Mandatory State but issued for FRT's only	
CNMI	Issued per assignment and expires upon completion of that assignment		-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Mandatory State but issued for FRT's only	
PR	Issued per assignment and	Resi-	-Letter of request which	-Mandatory	

State	Basis	Fee	Application Requirements	Notations	Fee for Licensing History
	expires upon completion of that assignment	dential \$25 Non-Residential \$250	identifies the property, client, participants and estimated length of the assignment	territory but issued for FRT's only -Visiting appraisers must affiliate with a PR appraiser	
VI	Issued per assignment and expires upon completion of that assignment	\$275	-Notarized application -Letter of good standing -Copy of designation -Consent to service of process	-Mandatory territory but issued for FRT's only	

LEGEND

FRT - Appraisal assignments performed in conjunction with a federally related transaction.

Letter of Good Standing or Licensing History - A letter from the applicant's home State appraiser certifying and licensing agency which certifies that the appraiser is duly licensed or certified and in good standing and sets forth any disciplinary actions taken against the appraiser by that agency, if any.

Per Assignment - One or more real estate appraisals which have been contracted for in a single contract.

* Identifies States which have reduced their temporary practice fees at the ASC's request.