

USPAP and AQB Criteria Review

Uniform Standards of Professional Appraisal Practice (USPAP)

Background

In 1989, the Appraisal Standards Board (ASB) approved the first version of USPAP as the generally accepted and recognized standards of appraisal practice in the United States. That same year, Title XI authorized the ASB to promulgate USPAP nationally as the minimum appraisal standards for appraisals used in federally related transactions (FRTs).

Although Title XI limited USPAP requirements to FRTs, many States require the use of a licensed or certified appraiser for all real property appraisals, regardless of their use.

Since the first version was approved, USPAP has been revised approximately 22 times by dozens of individuals with varying skill sets and objectives. ASB members routinely include personal property and business appraisers with little to no knowledge of real estate or the appraisal regulatory system.

Revenue generated from the sale of USPAP is now well over 80% of TAF revenue creating an incentive to change standards to fund TAF operations. Useful changes are sometimes made; however the continual churning of the standards causes burdensome and troubling side-effects for appraisers, lenders, regulators, and other stakeholders.

Other concerns include:

- Limited legal or technical writing assistance is provided in drafting USPAP (ASC staff has repeatedly suggested TAF increase their legal and technical writing resources):
 - ASB 2020 regulatory attorney budget is \$2,500.
 - No 2020 legal expenses were reflected in the July 31 TAF unaudited financial statement.
- ASB, AQB and BOT appointments have the appearance, at a minimum, of cronyism:
 - The ASB has never had a racial minority on the Board.
 - Board members are routinely reappointed to other TAF Boards, *e.g.*, the current ASB Chairman was a previous chairman of the AQB and has been on the AQB or ASB almost continually since 2008.
- Constant changes in Board members and USPAP along with limited technical and legal support, lead to mistakes and repeatedly revisiting the same issues:
 - The existing and recently proposed AO-16 is an example of these issues.
 - Recent exposure drafts included several corrections to previous changes that are proving problematic.

Real Property Appraiser Qualification Criteria (AQB Criteria)

AQB Criteria Background

Title XI authorized the AQB to establish the minimum qualification requirements for real property appraisers eligible to perform appraisals for FRTs. In 1991, the AQB adopted the original AQB Criteria. For its first ten years or so, the Criteria remained fairly constant. Starting in the 2000's, the AQB began increasing the Criteria in an attempt to;

- Correct perceived shortcomings in the original AQB Criteria (many believed the bar was set too low). These perceptions increased in the wake of the Great Recession.
- Improve the "professionalism" of appraisers.

Note: Over the years ASC staff has repeatedly (publicly and privately) warned the AQB about the dangers of increasing barriers and creating a possible shortage of appraisers.

The AQB also has several of the same structural limitations as the ASB.

- Limited legal or technical writing assistance (although ASC staff has repeatedly suggested TAF increase their legal and technical writing resources):
 - AQB 2020 regulatory attorney budget - \$3,500.
 - No 2020 legal expenses were reflected in the July 31 TAF unaudited financial statement.
- ASB, AQB and BOT appointments have the appearance, at a minimum, of cronyism:
 - Until this year, no racial minority and only three women have served on the AQB.
 - One of two owners of a small appraisal firm in Lufkin, TX have been on the AQB almost continually since 2004.
- AQB Criteria requirement that appraisers must take the *7-hour National USPAP Update Course* every two years drives USPAP/Course changes and revenue.
- In 2008, AQB began significantly increasing the requirements and thus the barriers to entry into the profession by adding more qualifying education hours and college education requirements.
- In 2015, the AQB made numerous changes to the AQB Criteria and Guidance, including:
 - Requiring a college-degree for certified residential and general applicants.
 - New Trainee and Supervisory Appraiser requirements.
- In 2018, the AQB adopted further revisions (reducing some requirements) to the AQB Criteria:
 - Elimination of college -level education requirements for Licensed credential.
 - Alternative college-level education requirements for Certified credentials.
 - Reduced experience hour requirements.
 - Although the AQB reduced some requirements, some States have not followed suit.

Proposal:

- Member agencies and others have voiced concerns over existing language in the USPAP Ethics Rule as well as both the existing and proposed Advisory Opinion-16 (AO-16) *Fair Housing Laws and Appraisal Report Content* and negative affects this language or any other language in USPAP could have on appraiser bias and/or systemic racism.
- Members also expressed concern over the AQB Criteria and barriers to entry into the profession that could be particularly difficult for minorities to overcome.
- Staff suggests that an initial review of USPAP and the AQB Criteria would help determine if the current AO-16 or any other language in USPAP is contrary to combating systemic racism in appraisal practice. A review of the AQB Criteria could also be undertaken to determine if the existing requirements disproportionately impact minorities desiring to enter the profession.
- A working group of our member agencies could be formed to review and comment on USPAP and the AQB Criteria. Outside experts could be consulted as well.
- Other issues such as the understandability and enforceability of USPAP, its legal construction, etc., would be outside the initial scope of the review as noted, however they could be bookmarked for future consideration.

If Board members would like, staff will create a timeline and more detailed plan for the Board's consideration and approval at an ASC Meeting.