

FYI

Cover Page



July 13, 2016

Association of Appraiser Regulatory Officials

13200 Strickland Road Suite 114-264 Raleigh, NC 27613
Telephone: (919) 235-4544 - Fax: (919) 870-5392 Web Site: www.aaro.net



June 9, 2016

Mr. Arthur Lindo, Chairman
The Appraisal Subcommittee
1401 H Street N.W., Suite 760
Washington, DC 20005

Anne M. Pettit, Ohio President
Office: 614-666-3411 E-mail:
anne.pettit@com.ohio.gov

Debra Rudd, Arizona
President Elect

Craig Steinley, South Dakota
Vice President

Juana Watkins, Florida
Secretary

Dave Campbell, North Dakota
Treasurer

Directors At-Large:

Vanessa Beauchamp, Missouri
Larry Disney, Kentucky
Tyler Kohtz, Florida
Jim Martin, California
Amy McClellan, Vermont
Mike McGee, Nebraska
Douglas Oldmixon, Texas
Fran Orato, Florida
Don Rodgers, North Carolina
Dee Sharp, Washington

Alternate Directors At-Large:

Danitra Butler, Ohio
Robin Hannigan, Kansas
Nicole Novotny-Smith, Wyoming

Managing Director

Brent Jayes
brentjayes@meetingsoncue.com
13200 Strickland Road Suite 114-
264 Raleigh, NC 27613
Telephone: (919) 235-4544 Fax:
(919)870-5392

Dear Mr. Lindo:

On August 11, 2015, President Nikole Avers submitted a letter on behalf of the Association of Appraiser Regulatory Officials (AARO). The purpose of that letter was to request clarification of the definition of Federally Related Transaction (FRT). As of this date, I am not aware that a response has been provided to that request.

First, it is imperative that AARO dispel any rumors that the August 2015 letter was, in any way, meant to communicate a desire on the part of appraiser regulatory officials/agencies to strip Title XI of regulatory authority over appraisers at the federal and/or state level. As regulators, we are charged with implementing and enforcing the federal requirements along with any additional state legislative directives.

The spring 2016 conference of AARO will be held in Phoenix, Arizona this week, and based upon recent communications with the state appraiser regulatory agencies (45 of 55 jurisdictions indicated a desire for clarification of the term "FRT"), a key topic of concern is an answer from the ASC to the question presented by AARO in the August 2015 correspondence. At least one state has informed AARO that rule making for AMC registration and enforcement cannot begin until the matter of FRT intent has been resolved.

The answer to this question looms larger than what was thought when the original letter of request was submitted. Two primary issues persist: 1) Movement to restrict state appraiser regulatory agencies' authority to enforcement of USPAP for FRT assignments only; and 2) The AMC Final Rules appear to require that AMC registration and regulation will be required only for FRT assignments. Based upon these two issues, a clarification of definition and/or intent with regard to the term "FRT" is believed to be an urgent matter that requires the attention of the ASC as soon as possible.

Providing answers to the questions enumerated above will alleviate confusion that has typically surrounded this term for many years, thereby assisting the state appraiser regulatory agencies and others. Additionally, the Committee will also provide clarification that will enhance the regulatory process and assist in developing more uniform, effective enforcement of real property appraisers who are licensed and certified to perform appraisal assignments for real estate lending transactions.

If you require additional information, please contact me.

Sincerely,



Anne M. Petit
President

cc:

Jim Park, ASC Executive Director
Richard Taft, ASC Member
Maria Fernandez, ASC Member
Mira Marshall, ASC Member
Rae-Ann Miller, ASC Member
Timothy Segerson, ASC Member
Ada Bohorfoush, ASC Alternate Member
AARO Board of Directors



June 24, 2016

Martin Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Daniel Tarullo, Governor
Federal Reserve Board
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Thomas Curry, Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

Re: Comments on Federally Related Transaction Definition (FRT) Issue

Chairman Gruenberg, Governor Tarullo, and Comptroller Curry:

The undersigned professional appraisal organizations are writing to express deep concern over, and strong opposition to, two positions taken by the FDIC (and, possibly, concurred in by the OCC and the Federal Reserve) that represent an existential threat to the national appraisal regulatory system established over a quarter century ago by Title XI of FIRREA. The first of these positions involves an erroneous reinterpretation of the Title XI term, federally related transaction. The second relates to the recurring increases in the de minimis dollar threshold below which an appraisal is not required; and, the FDIC's stated interest in a new round of such increases. The redefinition of the Title XI term "federally related transaction" would exclude the vast majority (85-90%) of real estate related financial transactions in which the government has a safety and soundness and/or a consumer protection responsibility from the provisions of the appraisal reform law. Under this mistaken interpretation, Title XI's professional appraisal requirements would not apply to the billions of dollars in mortgages guaranteed by FHA, VA and USDA's rural housing program; the mortgages sold to and packaged into mortgage backed securities by Fannie Mae and Freddie Mac; and, even all mortgage originations eligible for sale to the GSEs.

Unless the banking agencies clarify that Title XI applies broadly to most real estate related financial transactions in which the government has an interest – which is what Congress clearly intended - they will be close to achieving an effective repeal of Title XI, not by Congress but by unilateral administrative fiat.

Professional appraisals of the value of properties collateralizing mortgage loans are indispensable to safe and sound loan underwriting and to ensure consumer protections for borrowers. The attached "White Paper" describes the devastating impact of the FDIC's actions on the housing and mortgage markets and explains the many reasons for our belief that the narrow redefinition of FRT and the recurring threshold increases are well beyond the authority of the banking agencies and are contrary to the clear intent of Congress when it enacted Title XI.

A representative of the FDIC recently told a conference of state appraiser regulatory agency officials that contrary to the belief they and all other Title XI stakeholders (in government and in the private sector) have held for 25 years, the law only applies to a very narrow slice of real estate related financial transactions – about 10 – 14%. They were also told that if the banking agencies are successful in further increasing the dollar threshold under which appraisals are not required, only about 4% of all real estate related financial transactions would be covered by the appraisal law. The banking agencies' interpretation of Title XI is contrary to the clear intent of Congress when the law was enacted and contrary to the understanding and the practices of all Title XI stakeholders for decades. Unless successfully challenged, this outcome would mark a return to the mortgage market environment of the pre-FIRREA 1980s, where appraisal practice was unregulated and where faulty and fraudulent appraisals added billions of dollars to the catastrophic losses suffered by the thrift deposit insurance fund – the very outcome Congress determined to prevent from recurring by passing FIRREA in the first place.

We respectfully request that you review the attached White Paper which explains our concerns in detail and discuss the many arguments against the legality and propriety of the banking agencies' positions. We would also greatly appreciate a substantive response to our concerns, which we are also sharing with Congress and with federal agencies which have relied on Title XI for many years. Without a swift and decisive clarification that Title XI applies broadly across real estate related financial transactions, the appraisal regulatory structure that has been relied upon for over a quarter century will collapse, leaving an unacceptable vacuum in its absence. This outcome simply cannot be allowed to happen.

If you have any questions regarding our views, please contact either Peter Barash, Government Relations Consultant to ASA and NAIFA, at 202-466-2221 or peter@barshassociates.com, or John D. Russell, JD, Director of Government Relations for ASA, at 703-733-2013 or jrussell@appraisers.org.

Sincerely,
ASA
NAIFA

CC: Arthur Lindo, Chairman, Appraisal Subcommittee (ASC)
Richard Taft, Vice Chair, ASC
Maria Fernandez, Board Member, ASC
Mira Marshall, Board Member, ASC
Timothy Segerson, Board Member, ASC
Jim Park, Executive Director, ASC
Alice Ritter, General Counsel, ASC



A White Paper on the Federal Banking Agencies' Arbitrary and Capricious Efforts to Exempt the Vast Majority of Federal Real Estate Related Financial Transactions from Title XI of FIRREA's Appraisal Reforms

June 13, 2016

EXECUTIVE SUMMARY

The banking agencies, led by the FDIC, have recently taken the position that the vast majority of real estate related financial transactions in which the government has a safety and soundness or a consumer protection responsibility are exempt from Title XI.¹ They have made clear that under their restrictive interpretation of Title XI's "federally related transaction" phrase, the appraisal law does not apply to or protect the hundreds of billions of dollars in mortgage loans guaranteed by the FHA, the VA or USDA's rural housing program; the mortgages purchased and sold by Fannie Mae or Freddie Mac; and, any originated mortgage which even qualifies for sale to a GSE. This shocking interpretation of Title XI – which places the overwhelming majority of all residential mortgages beyond the law's protections – surfaced and became clear only recently when it was announced by a representative of the FDIC at an April 2016 meeting of state appraiser licensing agencies. As word of the FDIC's Title XI interpretation spread, it stunned federal agencies which have relied for many years on the law's provisions as well as its private sector stakeholders.

The FDIC (and, it seems, the other federal banking agencies) argue that they exempted these transactions in their 1994 Appraisal and Evaluation Guidelines by declaring that they are not "federally related transactions" within the meaning of the law. This position is indefensible and flat-out wrong. As explained in some detail below, the banking agencies' current interpretation of Title XI is directly contradicted by the following facts –

- (1) All Title XI stakeholders disagree:** All Title XI stakeholders at the state and federal levels of government and in the private sector have had a common understanding for 25 years that the law was intended to be broad-based and that it applied to all real estate related financial transactions. This

¹ Under Title XI, 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."

common understanding existed prior and subsequent to issuance of the 1994 Appraisal Guidelines and continues to this day; (See page 7 for more detail)

(2) The federal banking agencies have never objected, until now, to the broad interpretation of Title XI's reach that the state appraiser licensing agencies, the government's housing and mortgage insurance agencies and the federal Appraisal Subcommittee have observed for decades: It is important to recognize that while the banking agencies now contend they exempted the vast majority of real estate related financial transactions from Title XI in 1994, they have known for dozens of years that the state licensing agencies and the federal Appraisal Subcommittee were exercising their Title XI responsibilities as applying broadly across government agencies and that the government's housing and mortgage guaranty/insurance agencies had depended on and had benefitted from Title XI's protections – yet the federal bank regulators never objected. They never once told these state and federal entities that their interpretation of the appraisal law was in conflict with their regulatory Guidelines and was, therefore, invalid. The banking agencies' "say nothing, do nothing" stance until now demonstrates that their current interpretation of "federally related transaction" is actually a reinterpretation of the law that is arbitrary and capricious;

(3) The legislative history of Title XI is conclusive that Congress intended the law to apply broadly across all government housing and mortgage programs: The conditions which gave rise to Title XI as well as its legislative history clearly demonstrate that it was intended by Congress to apply broadly across all real estate related financial transactions involving governmental programs. Moreover, the principal author and the Congressional sponsors of Title XI were acutely aware of the banking agencies' regulatory failures in connection with the 1980s collapse of the thrift industry, including their inattention to the role played by an unregulated appraisal services industry and faulty and fraudulent appraisals which added billions of dollars to the cost of the S&L cleanup. Given this legislative history, it is inconceivable that Congress intended for these same regulatory agencies to have authority not only to rewrite the appraisal reform law but to effectively repeal it for most real

estate related financial transactions, as they are attempting to do and close to doing; (See bottom of page 7 for more detail)

(4) Subsequent to the 1994 Appraisal and Evaluation Guidelines, Congress enacted major laws that applied Title XI to federal programs that the banking agencies say they have exempted from the appraisal law: Congress has recently enacted major laws which explicitly extend Title XI to federal housing and mortgage guaranty programs that the banking agencies say are exempt from Title XI because they are not federally related transactions. It is beyond improbable that Congress would enact laws which extended Title XI requirements to federal programs that the banking agencies' claim are not covered by Title XI if Congress didn't believe that these programs are, in fact, covered by the appraisal law. It is absurd to believe that the banking agencies have a better and more authoritative understanding of the intent of Congress when it enacted Title XI than Congress itself; (See page 11 for more detail)

(5) The exemption provisions of the 1994 Appraisal Guidelines, which the banking agencies now claim excluded most transactions from Title XI requirements, do no such thing. A full reading of the Guidelines makes clear that at the time they were issued, the banking agencies did not exempt the government's real estate related financial transactions from Title XI's enforcement provisions: The banking agencies' contention that its 1994 Appraisal and Evaluation Guidelines exempted most real estate related transactions from the entirety of Title XI is false. A complete reading of those Guidelines demonstrates clearly that it does no such thing. Apart from the fact that Title XI does not give the banking agencies any exemption authority, the most that can be argued is that the 1994 exemptions only apply to Title XI's appraiser qualifications and appraisal standards provisions (and only if the affected housing and mortgage agencies already had their own comparable appraisal requirements – which they did). The plain language of the 1994 Guidelines makes clear that the exemptions did not apply to Title XI's enforcement provisions (i.e., the state appraiser licensing agencies and the federal Appraisal Subcommittee) – provisions without which there is no realistic way to ensure compliance with the law's substantive requirements. They merely recognized that since these agencies had appraiser qualifications

and appraisal standards comparable to those of Title XI, requiring them to meet the Title XI provisions would be redundant. (See page 9 for more detail)

The points made in this Executive Summary are discussed below and in the pages that follow in more detail.

I. Background of the Banking Agencies' Aggressive Efforts To Restrict the Reach of Title XI

The federal bank regulatory agencies are on the verge of effectively repealing Title XI of FIRREA by taking the position that its appraisal reforms only apply to a tiny fraction of all real estate related financial transactions in which the federal government has a safety and soundness or a consumer protection responsibility. They have done so in two ways: First, by defining a key operative phrase in Title XI ("federally related transaction") in a way that dramatically shrinks the reach of the law; and Second, by approving a series of increases in the de minimus dollar threshold under which a Title XI professional appraisal of residential property is not required: from a \$50,000 threshold in 1990 to \$100,000 in 1992 and to \$250,000 in 2010 (the current threshold). An additional threshold increase to \$400,000 or \$500,000 is currently being considered by the banking agencies under the EGRPRA regulatory review process.

The FDIC appears to be the lead agency in declaring that Title XI gives the banking agencies unprecedented legal authority to unilaterally dismantle, by administrative fiat, the law they are required to administer as Congress intended. A senior representative of the FDIC told an April meeting of Association of Appraiser Regulatory Officials (AARO) that under its interpretation of the Title XI phrase, "federally related transaction", only about 10% - 12% of all governmental real estate related financial transactions are covered by the law. The FDIC representative also said that if the additional de minimus increase being considered is adopted, the 10% to 12% number would fall to about 4% of all real estate related financial transactions.

Although the conference attendees were startled by the FDIC representative's message (i.e., that their decades old interpretation of what is or is not a federally related transaction was wrong), they were told that they shouldn't be surprised by the pronouncement because the banking agencies exempted most such transactions

from the jurisdiction of Title XI twenty-two years ago in the 1994 Interagency Appraisal and Evaluation Guidelines (see appendix A, exemptions 9 and 10). However, as is made clear in this paper, none of the Title XI government agency or private sector stakeholders – none – understood exemptions 9 and 10 as having the meaning and effect the FDIC now says it does. Moreover a careful and common sense reading of the 1994 Guidelines leads to an interpretation of exemptions 9 and 10 that is very different than – and inconsistent with – the FDIC’s current interpretation (also explained below).

II. The de minimus dollar threshold issue

While the focus of this White Paper is on the banking agencies’ improper definition of the Title XI phrase, “federally related transaction”, the agencies’ systematic and arbitrary increases in the dollar threshold below which appraisals are not required (and the prospect of further increases) also severely undermines the effectiveness of Title XI and, we believe, deserves the intervention of Congress. While Title XI does grant the banking agencies authority to increase the dollar threshold if they determine that an increase will not impact the safety and soundness of financial institutions, it should be self-evident that Congress never intended that authority to be exercised in a way that effectively repeals a law whose central purpose affirms and promotes the role of appraisals as the most effective method to ensure the reliability and integrity of collateral valuations for loans ultimately backed by taxpayers. If the banking agencies believe that professional appraisals of properties collateralizing millions of residential mortgage loans that are guaranteed or insured by taxpayers, are an unnecessary component of safe and sound loan underwriting, then it should ask Congress to amend Title XI in a way which explicitly gives them limitless authority to eliminate or marginalize the role of appraisals in the underwriting process. They do not now have this authority.

Given the strongly pro-appraisal policies of the government’s housing and mortgage guaranty agencies and given the collapse of the housing and mortgage markets in the 1980s and much more recently, we do not believe that Congress will share the apparent view of the bank regulators that appraisals are a throw-away part of loan underwriting and grant them such authority. Our view is that the current \$250,000 threshold for residential loans represents an abuse of the

discretion Congress granted the banking agencies and we respectfully urge Congress to address this matter at its earliest opportunity.

III. The “federally related transaction” Definition Crisis

The banking agencies have made clear that under their restrictive interpretation of Title XI’s “federally related transaction” phrase, the appraisal law does not apply to or protect any FHA or VA housing loan guaranty; any USDA rural housing program; any Fannie Mae or Freddie Mac mortgage purchase or sale; and, any mortgage origination that simply qualifies for sale to a GSE. This shocking interpretation of Title XI – which places the overwhelming majority of all residential mortgages beyond the law’s protections – surfaced and became clear only recently and stunned Title XI stakeholders, in both the public and private sectors.

The banking agencies’ interpretation of the “federally related transaction” phrase, means that neither Title XI’s substantive appraisal provisions (i.e., appraiser qualifications and adherence to the Uniform Standards of Professional Appraisal Practice or USPAP) nor the enforcement infrastructure it established (i.e., the state appraiser licensing boards and the federal Appraisal Subcommittee) are available to users of appraisal services or to federal agencies that administer programs dependent on reliable uniform appraisals and on professional appraisers whose work is overseen by the state licensing agencies which credentialed them. Without these state and federal enforcement mechanisms, there is no realistic or cost-effective way to ensure compliance by appraisers and by users of their services with Title XI’s appraisal reform provisions or with the appraisal policies of government agencies.

The improbability of the legitimacy of the banking agencies’ interpretation is clearly illustrated by the following bullet points:

- **The banking agencies’ interpretation is contradicted by the fact that Title XI’s stakeholders both in government and in the private sector have believed for 25 years that the appraisal reform law is extremely broad-based. In other words, they are in profound disagreement with the banking agencies’ interpretation.**

Federal officials whose agencies administer the nation's housing and mortgage guaranty programs have for decades operated on the basis of their belief that Title XI applies to the programs they administer. Indeed, the appraisal regulations and written policies of agencies such as FHA, VA, USDA, FHFA and the GSEs are filled with references to and reflect a dependence on Title XI, including the enforcement mechanisms it established in the form of the state appraiser licensing agencies and the federal Appraisal Subcommittee. These agencies are responsible for ensuring that valuations for federal purposes are performed by state certified or licensed appraisers who are accountable to their state licensing boards for their professionalism. Without the backup of Title XI's enforcement provisions, each of these agencies and enterprises – which rely greatly on the services of state licensed and certified appraisers – would be required to establish their own qualifications requirements for individuals who wish to provide them with collateral valuation services; to establish testing protocols to ensure that applicants meet the qualifications requirements; and, to create their own enforcement and sanctions mechanisms – functions which if not available through the Title XI structure would cost taxpayers tens or hundreds of millions of dollars to create and administer themselves.

- **The banking agencies' interpretation of their powers to restrict the reach of Title XI is sharply contradicted by the legislative history of the law and by strong indicators of Congressional intent that it should operate broadly across government housing and mortgage market programs**

The banking agencies' actions are unambiguously contrary to the legislative history of Title XI and to Congressional intent. What Congress intended as a robust appraisal reform law designed to protect broad federal programs and interests, is close to becoming a nullity.

The agencies have falsely determined that Congress intended for Title XI's appraisal reform provisions to cover only an insignificant fraction of government housing and mortgage programs – a far-fetched and even preposterous assertion given that the law was an important component of Congress's aggressive overall legislative response to the banking agencies egregious regulatory failures relative to the collapse of the S&L industry in the 1980s. One of the most serious of those

regulatory failures was the banking agencies lack of attention to the flood of poor quality appraisals that were used by lenders to make thousands of bad real estate loans appear to be adequately collateralized; and, to the billions of dollars in added losses to the federal deposit insurance system caused by an unregulated appraisal services industry and by faulty and fraudulent appraisals.

The enactment of Title XI was a direct result of and reflected information gathered at more than a dozen Congressional oversight hearings which broadly examined the role of faulty real estate appraisals on a wide range of federal interests. The subject matter of these hearings involved not just the collapse of the S&L industry and the billions of dollars in losses to the FSLIC resulting from faulty and fraudulent appraisals of collateral properties but also the negative effects of poor quality appraisals on the government's home loan guaranty programs (i.e., FHA and VA) and the mortgage purchase and secondary market activities of Fannie Mae and Freddie Mac. Many other federal agency programs which rely to some extent on real property valuations were also examined during the hearings, including rural housing and multi-family programs. The provisions of Title XI were intended by its sponsors and by Congress to apply broadly to all real estate related financial transactions where the reliability of property appraisals had always been important to the mission of the agencies administering them.

Given this history, it is beyond improbable that Congress intended Title XI's appraisal reforms to only apply to an insignificant slice of federally related transactions in situations where reliable valuations of collateral property are an important component of safe and sound mortgage loan underwriting. It is equally improbable that Congress would entrust the banking agencies with carte blanche authority to dismantle the law by administrative fiat.

Importantly, since its enactment in 1989 and notwithstanding the highly restrictive interpretation of the law by the banking agencies, all Title XI stakeholders, both in government and in the private sector, have regarded the law as applying to a broad range of real estate related financial transactions in which the government has a safety and soundness or a consumer protection responsibility. This includes the entire community of professional appraisers; all the state appraiser licensing agencies; the federal Appraisal Subcommittee; the real estate, mortgage and housing industries; and, critically, Congress itself. This commonly held belief

continued after issuance of the 1994 Interagency Guidelines which purported to exempt most real estate related financial transactions from the law; and it continues to this day.

Nevertheless, the FDIC representative's assertion at the recent AARO meeting that 85 - 90 percent or more of real estate related financial transactions are exempt from Title XI has caused great consternation and confusion at the state appraiser licensing agencies and among other Title XI stakeholders. They were also told that this pronouncement should not come as a surprise because the banking agencies exempted these transactions in the Appraisal & Evaluation Guidelines they issued in 1994 – 22 years ago.

- **The banking agencies' current explanation of what was intended by exemptions 9 and 10 in the 1994 Appraisal and Evaluation Guidelines is inconsistent with – and contrary to – the full text of the Guidelines**

The FDIC's recent explanation of the purpose and effect of exemptions 9 and 10 is inconsistent with the full text of the 1994 Guidelines as well as the text of the current Guidelines which were issued on December 2, 2010. Section VII of these Guidelines entitled "Transactions That Require Appraisals" states: "Although the Agencies' appraisal regulations exempt certain real estate related financial transactions from the appraisal requirements, **most real estate related financial transactions over the appraisal threshold are considered federally related transactions and, thus, require appraisals.**" (Emphasis added).

This declaration stands in stark contrast to the FDIC's current position that most transactions are not federally related transactions.

As further evidence that the banking agencies' current interpretation of "federally related transaction" is actually a reinterpretation that is clearly erroneous, consider that the commentary accompanying the 1994 and the 2010 Guidelines relating to the exemptions makes clear that they only relate to Title XI's appraiser qualifications and appraisal standards requirements if the loan guaranty agencies and the secondary market enterprises already have comparable requirements – which they did. The exemptions in the Guidelines do not create an exemption from Title XI's enforcement provisions (i.e., the state licensing agencies and the federal Appraisal Subcommittee) and were never intended to do so. A reading of the plain

language of the exemption provisions of the Guidelines makes this conclusion certain:

“9. Transactions Insured or Guaranteed by a U.S. Government Agency or U.S. Government-Sponsored Agency

This exemption applies to transactions that are wholly or partially insured or guaranteed by a U.S. government agency or U.S. government-sponsored agency. The Agencies expect these transactions to meet all the underwriting requirements of the Federal insurer or guarantor, including its appraisal requirements, in order to receive the insurance or guarantee. (Emphasis added)

10. Transactions That Qualify for Sale to, or Meet the Appraisal Standards of, a U.S. Government Agency or U.S. Government-Sponsored Agency

This exemption applies to transactions that either (i) qualify for sale to a U.S. government agency or U.S. government-sponsored agency,⁴³ or (ii) involve a residential real estate transaction in which the appraisal conforms to Fannie Mae or Freddie Mac appraisal standards applicable to that category of real estate. An institution may engage in these transactions without obtaining a separate appraisal conforming to the Agencies' appraisal regulations. Given the risk to the institution that it may have to repurchase a loan that does not comply with the appraisal standards of the U.S. government agency or U.S. government-sponsored agency, the institution should have appropriate policies to confirm its compliance with the underwriting and appraisal standards of the U.S. government agency or U.S. government-sponsored agency.” (Emphasis added)

It is unsurprising, therefore, that all the federal, state and private sector stakeholders understood that the so-called exemptions found in the 1994 Guidelines related only to the Title's appraiser qualifications and appraisal standards provisions based on the fact that these agencies' own appraisal requirements were comparable to those in Title XI. Applying Title XI's appraiser qualifications and appraisal standards provisions would have been redundant. None of the federal agencies believed or had reason to believe that the appraisers and appraisals utilized in connection with their programs were exempt from the enforcement authority of the state appraiser licensing agencies and the federal Appraisal Subcommittee. Nor did any of the private sector stakeholders involved in mortgage loans guaranteed or insured by government agencies or enterprises believe that the 1994 Guidelines exempted them or their transactions from the entirety of Title XI.

Title XI stakeholders understood that exemptions 9 and 10 in the Guidelines were nothing more than an acknowledgement that the FHA, VA, FHFA, USDA and the GSEs already had in place substantive appraiser qualifications and appraisal standards that were equivalent to, or strong than, those established in Title XI; and that applying Title XI's substantive requirements was unnecessary.

- **The banking agencies current interpretation of “federally related transaction” is directly contradicted by the enactment of laws subsequent to 1994 that extended Title XI to transactions the FDIC now says are outside the scope of Title XI because they are not federally related transactions**

Consider, for example, that in 2009, the Housing and Economic Recovery Act directed that “any appraiser chosen or approved to conduct” FHA appraisals must hold a state certified appraiser credential (previously, licensed appraisers were eligible to perform FHA-related valuations). It is extremely difficult to understand why Congress, in 2009, would legislate an improvement in FHA's appraisal requirements if Congress believed that 15 years earlier the banking agencies had exempted FHA's loan guaranty programs from the authority of the state licensing agencies established pursuant to Title XI to credential appraisers and oversee their professionalism; and exempted FHA's appraisers from the indirect authority of the federal Appraisal Subcommittee. Federal programs which rely on the services of state certified or licensed appraisers are tied into and depend upon Title XI (in some cases to establish appraiser qualifications and appraisal standards if the agencies don't already have them) but always in connection with the Title's enforcement mechanisms which ensure the integrity and uniformity of federally-related valuations.

Consider what each federal agency utilizing the services of certified and licensed appraisers would have to do if their programs were exempt from Title XI: Each agency would be forced to establish their own qualifications and standards requirements for their appraisers; each would be required to test and approve or deny eligibility to those wanting to perform appraisals for the government; each would be required to create teams of investigators to review complaints of appraiser incompetence or misconduct; and, each would have to establish their own sanctions regimes for alleged misconduct or negligence including due process

protections. In short, each federal agency with a need for appraisal services would have to duplicate systems which are already in place pursuant to Title XI. This would cost taxpayers tens and possibly hundreds of millions of dollars.

Also consider that in 2010, Congress enacted Dodd-Frank which included numerous important changes to Title XI's appraiser certification and licensing system that directly impact appraisals performed for the government's principal housing and loan guaranty programs – programs which the FDIC now claims are not even subject to Title XI because they are not federally related transactions.

For example, Dodd-Frank's appraisal provisions strengthen Title XI's appraiser independence provisions by prohibiting acts and practices which seek to improperly influence an appraiser's opinion of value and by requiring that appraiser's be paid customary and reasonable fees. Dodd-Frank also amended Title XI by requiring state appraiser agencies to regulate Appraisal Management Companies (through which most appraisal engagements are ordered by mortgage lenders); by mandating that the federal Appraisal Subcommittee award grants to state licensing agencies so that they can more effectively investigate complaints filed against their appraisers; by establishing an appraisal complaint hotline to enhance the enforcement powers of state licensing agencies; and, by giving the Appraisal Subcommittee explicit authority to engage in rulemaking on issues central to the effective functioning of the system Title XI created.

If Members of Congress shared the FDIC's view that only about 10% of all real estate related financial transactions are federally related transactions covered by Title XI, they never would have devoted the time and effort necessary to enact such far-reaching Title XI changes.

Moreover, virtually all of the appraisal authority and requirements established by Congress in the Housing and Economic Recovery Act of 2009 and in the Dodd-Frank Act of 2010 would be a nullity if the FDIC's reinterpretation of Title XI were allowed to stand. Whose judgment should prevail on the issue of Congressional intent with respect to whether Title XI was intended to operate broadly across government programs or narrowly: Congress itself or the banking agencies? The question answers itself.

IV. Additional Points for Clarification Purposes

- Title XI was constructed in two interdependent ways to safeguard federal interests: First, it established substantive requirements to ensure appraiser competency, independence and accountability and mandated appraiser adherence to the uniform standards of professional appraisal practice (USPAP); and, second, it established an institutional framework to ensure and enforce compliance with appraiser qualifications and uniform appraisal standards. This institutional framework is composed of appraiser licensing agencies (in the 50 states, four territories and DC) which test and license professional appraisers and can sanction them based on a finding of negligence or unethical behavior; and, a federal Appraisal Subcommittee (which is a part of the Federal Financial Institutions Examination Council or FFIEC) to oversee the licensing agencies to ensure their diligence and effectiveness. Without this institutional framework, Title XI's substantive requirements would exist in a vacuum without the ability to be enforced;
- State laws establishing real estate appraiser licensing agencies pursuant to Title XI of FIRREA generally limit the authority of these agencies to "federally related transactions" performed within the state. As a result, transactions exempted from Title XI by the federal banking agencies are largely beyond the scope of the authority of most state appraiser licensing agencies and entirely beyond the scope of the authority of the federal Appraisal Subcommittee which oversees the effectiveness of the state appraiser licensing agencies. While states with laws that mandate the use of licensed or certified appraisers for all transactions within their state might be able to exercise some authority over exempted transactions, the extent of their authority over non-federally related transactions has never been tested. Moreover, if 85 – 90% of transactions occurring in a state are no longer considered federally related transactions by the banking agencies, the legislatures in these states would be tempted to amend their appraisal licensing laws to restrict the activities of their appraiser licensing agencies just to federally related transactions and pare their budgets accordingly. This is a likely scenario because the impetus to establish state appraiser licensing agencies in the first place resulted from the enactment of Title XI and the

belief that the vast majority of real estate related financial transactions occurring in the states were federally related transactions. If most are now deemed not to be federally related transactions, many of these appraiser licensing agencies would be shut down or their activities substantially curtailed.



IMPORTANT POINTS ON FRT ISSUE

- The Banking Agencies' proposed reinterpretation of "federally related transaction" under Title XI – exempting 85 to 90 percent of all real estate related financial transactions from all of Title XI's protections – not only runs counter to Congressional intent and the long held understanding of public and private stakeholders, it contradicts the plain language of the 1994 Appraisal and Evaluation Guidelines upon which the agencies' base their reinterpretation.
- If allowed to stand, the impact of the banking agencies' reinterpretation would be far reaching: Mortgages guaranteed by FHA, VA, USDA Rural Housing Service would no longer be protected by Title XI's enforcement mechanisms (i.e., the state appraiser licensing agencies and the federal Appraisal Subcommittee). Neither would mortgage loans sold, or simply eligible for sale, to Fannie Mae and Freddie Mac. Absent Title XI's enforcement system, each agency would be forced to engage in their own enforcement program – a costly, time consuming, and duplicative effort that was never contemplated by Congress or the agencies under Title XI.
- Congress, through both the Housing and Economic Recovery Act of 2009 and the Dodd-Frank Act of 2010, demonstrated its own belief that Title XI was and is still a broad-based law intended to cover the vast majority of real estate related financial transactions. If it believed otherwise, and agreed with the banking agencies' position, then why would Congress spend the time and effort to enact legislation that extends Title XI to federal programs that the banking agencies now claim are outside the scope of the law? That just doesn't make sense.
- The 1994 changes to the Appraisal and Evaluation Guidelines underpinning the position taken by the banking agencies do not create a blanket exemption from all Title XI requirements. The exemptions cited only address instances where an agency has appraisal standards and appraiser qualification requirements that meet or exceed those imposed by Title XI, but do not extend to Title XI's enforcement provisions. If anything, these exemptions reinforce the view that federal agencies can continue to rely on Title XI's enforcement mechanisms.
- The banking agencies' actions related to redefining "federally related transaction" so as to exclude the vast majority of all real estate related financial transactions from Title XI's protections, in concert with their repeated increases in the de minimus dollar threshold (below which an appraisal is not required) and their interest in another round of increases, evidence their belief that they have unlimited statutory authority to repeal Title XI by administrative fiat; and, their intention to do so. In fact, the banking agencies do NOT possess any authority to exempt transactions from Title XI; and, their use of the limited authority they do have to adjust the de minimus threshold above its original \$50,000 level has been seriously abused and deserves immediate Congressional scrutiny.



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

Change to the *Real Property Appraiser Qualification Criteria* Effective July 1, 2016

The Appraiser Qualifications Board (AQB) held a public meeting in Las Vegas, Nevada on Friday, June 24, 2016. The primary item discussed was the Exposure Draft of Proposed Changes to the *Real Property Appraiser Qualification Criteria*, issued on May 18, 2016.

Given the feedback received from the public, state appraiser regulatory agencies, and the Appraisal Subcommittee, the AQB adopted a change to the Supervisory Appraiser requirements, which will go into effect July 1, 2016. Because the AQB sets the *minimum* requirements, state appraiser regulatory agencies having requirements that *exceed* AQB *Criteria* will remain in compliance, since the July 1, 2016 change does not exceed current requirements.

The language below is from the current AQB *Criteria*, and can be found on page 10 under “Supervisory Appraiser Requirements” in the *Real Property Appraiser Qualification Criteria* booklet. The text that is shown as underscored will be added, and that shown as strikeout will be deleted from the *Criteria*, effective July 1, 2016.

If you have any questions, please contact Magdalene Vasquez, Qualifications Administrator, at magdalene@appraisalfoundation.org or 202-624-3074.

I. General

- A. Supervisory Appraisers shall be responsible for the training, guidance, and direct supervision of the Trainee Appraiser by:
 1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
 2. Reviewing and signing the Trainee Appraiser report(s); and
 3. Personally inspecting each appraisal property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- B. Supervisory Appraisers shall be state-certified and in “good standing” ~~in the jurisdiction in which the Trainee Appraiser practices~~ for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser’s legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in “good standing” three (3) years *after* the successful completion/termination of the sanction imposed against the appraiser.
- ~~C. Supervisory Appraisers shall have been state-certified for a minimum of three (3) years prior to being eligible to become a Supervisory Appraiser.~~
- D.C. Supervisory Appraisers must comply with the COMPETENCY RULE of USPAP for the property type and geographic location where the Trainee Appraiser is being supervised.

~~E~~D. Whereas a Trainee Appraiser is permitted to have more than one Supervisory Appraiser, Supervisory Appraisers may not supervise more than three (3) Trainee Appraisers at one time, unless a state program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.

~~F~~E. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and Trainee Appraiser to ensure the experience log is accurate, current and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:

1. Type of property;
2. Date of report;
3. Address of appraised property;
4. Description of work performed by the Trainee Appraiser and the scope of the review and supervision of the Supervisory Appraiser;
5. Number of actual work hours by the Trainee Appraiser on the assignment; and
6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.

~~G~~F. Supervisory Appraisers shall be required to complete a course that, at a minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course is to be completed by the Supervisory Appraiser prior to supervising a Trainee Appraiser.*

* Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.



THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

APPRAISAL STANDARDS BOARD

**Meeting Summary
June 17, 2016
Indianapolis, IN**

On June 17, 2016, the Appraisal Standards Board (ASB) held its second meeting of the year. The Board discussed the First Exposure Draft of proposed changes for the 2018-19 edition of the *Uniform Standards of Professional Appraisal Practice*, which included proposed revisions in the following areas of USPAP:

- Definition of Report
- Definition of Assignment
- Extraordinary Assumptions
- STANDARD 3 – Dividing into STANDARD 3, Appraisal Review, Development and STANDARD 4, Appraisal Review, Reporting
- STANDARD 6 – Dividing into STANDARD 5, Mass Appraisal, Development and STANDARD 6, Mass Appraisal, Reporting
- Standards Rules 7-2(c), SR 7-5, and 8-2(v)
- Standards Rule 8-3
- Advisory Opinion 37, *Computer Assisted Valuation Tools*

The Board also accepted oral comments from meeting attendees. The Board encouraged the public to send any suggested USPAP revisions to ASBComments@appraisalfoundation.org.

The ASB anticipates that it will be publishing a Second Exposure Draft of proposed changes for the 2018-19 edition of USPAP in August, 2016. The Board will be accepting written comments through October, as well as oral comments at its next public meeting on October 21, 2016 in Washington, DC.



THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications*

APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: Margaret Hambleton, Chair
Appraisal Standards Board

RE: **First Exposure Draft of proposed changes for the 2018-19 edition of the
*Uniform Standards of Professional Appraisal Practice***

DATE: April 13, 2016

The goal of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. With this goal in mind, the Appraisal Standards Board (ASB) regularly solicits and receives comments and suggestions for improving USPAP. Proposed changes are intended to improve USPAP understanding and enforcement, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

The ASB is currently considering changes for the 2018-19 edition of USPAP. **All interested parties are encouraged to comment in writing to the ASB before the deadline of June 10, 2016.** Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited at the ASB public meeting on June 16, 2016, in Indianapolis, Indiana.

Written comments on this exposure draft can be submitted by mail, email and facsimile.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: asbcomments@appraisalfoundation.org

Facsimile: (202) 347-7727

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached exposure draft, please contact Aida Dedajic, Standards Administrator at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

Background

The ASB issued a Discussion Draft in January 2016, identifying potential areas of change for the 2018-19 edition of USPAP. The Discussion Draft addressed:

- Communication of Assignment Results and definition of *report*
- STANDARD 6, *Mass Appraisal, Development and Reporting*
- Definition of *assignment*
- Review of terms, assumption and extraordinary assumption
- STANDARD 3, *Appraisal Review, Development and Reporting*
- Review of Standards Rules 7-2(c), SR 7-5, and 8-2(v)
- Review of Standards Rule 8-3
- Review of Advisory Opinions
- Other edits to improve clarity and enforceability of USPAP

The ASB has reviewed all of the comments received in response to the Discussion Draft, and believes it is fulfilling its work plan and addressing the needs of appraisers and users of appraisal services by introducing the proposed changes for the 2018-19 edition of USPAP as contained in this exposure draft.

Of paramount importance to the Board when considering any potential revisions to USPAP is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the ASB in putting forth the concepts contained in this document.

The Board currently intends to adopt any revisions for the 2018-19 edition of USPAP at its public meeting in early 2017. Any such revisions to USPAP would become effective on January 1, 2018.

**First Exposure Draft of Proposed Changes for the
2018-19 edition of the *Uniform Standards of Professional Appraisal Practice***

**Issued: April 13, 2016
Comment Deadline: June 10, 2016**

Each section of this exposure draft begins with a rationale for the proposed changes to USPAP. The rationale is identified as such and does not have line numbering. Where proposed changes to USPAP are noted, the exposure draft contains line numbers. This difference is intended to distinguish for the reader those parts that explain the changes to USPAP from the proposed changes themselves.

When commenting on various aspects of the exposure draft, it is very helpful to reference the line numbers, fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues that the ASB should consider.

Unless otherwise noted, where text is proposed to be deleted from USPAP, that text is shown as ~~strikeout~~. For example: ~~This is strikeout text proposed for deletion.~~ Text that is proposed to be added to USPAP is underlined. For example: This is text proposed for insertion.

This exposure draft includes proposed revisions to USPAP and creation of a new Advisory Opinion to replace the retirement of another. After the considering the responses received during the exposure period the ASB will deliberate over the various proposals. The Board intends to issue a subsequent exposure draft this summer.

For ease in identifying the various issues being addressed, the exposure draft is presented in sections.

NOTE: If proposed revisions are adopted, it will necessitate administrative edits throughout USPAP. For example, in Section 1 on page 7, line 37 would need to be modified to reflect the newly adopted Standards. Another example is the term extraordinary assumption would be replaced if a new term is adopted.

TABLE OF CONTENTS

Section	Issue	Page
1	Definition of Report	5
2	Definition of Assignment	8
3	Extraordinary Assumption	10
4	STANDARD 3	13
5	STANDARD 6 – Dividing into STANDARD 5, <i>Mass Appraisal, Development</i> and STANDARD 6, <i>Mass Appraisal, Reporting</i>	24
6	Standards Rules 7-2(c), SR 7-5, and 8-2(v)	39
7	Standards Rule 8-3	48
8	Advisory Opinion 37, <i>Computer Assisted Valuation Tools</i>	51

Section 1: Definition of Report

RATIONALE

The ASB has heard concerns about the definition of report for some time. Enforcement officials and others have complained about appraisers who issue multiple reports in an assignment and attempt to disavow responsibility for prior iterations because they were not transmitted “upon completion of the assignment” as specified in the current USPAP definition of report. This claim has been made even in cases where the earlier version was submitted as a report with a signed certification and later revised.

Whether an assignment is complete or not depends on the facts and matters at hand and also upon the perspective of a given party. Appraisers usually consider an assignment complete when they sign or communicate the report to the client, whereas clients have commented that an assignment is not complete until they review and approve or accept a report. On studying the overall concept of reporting, the ASB concluded that it is important to address all communications of assignment results regardless of where an appraiser is in the process.

The ASB is proposing linking the definition of a report to when the report is communicated with a signed certification. By signing a certification, the appraiser is representing to the client that the document is a report. With the proposed definition, communication of a portion of an appraiser’s opinions or analyses performed as part of an appraisal or appraisal review assignment is not a report, thus not subject to reporting Standards, unless it includes a signed certification.

The ASB received many comments that emphasized the importance of preliminary communications in complex assignments. These comments came from appraisers of all disciplines. When communicating portions of opinions or analyses performed as part of an assignment, the appraiser would still be required to comply with the ETHICS RULE, the COMPETENCY RULE and the JURISDICTIONAL EXCEPTION RULE.

A number of stakeholders have expressed concern that this proposal could result in an increased number of clients requesting a draft prior to the appraiser submitting the final report. Over the years there have been reports of mortgage lenders using their appraiser’s preliminary findings in order to “shop” for an appraisal that will allow them to make their loan. This act is expressly prohibited by federal lending laws and its enforcement is outside the purview of the Appraisal Standards Board.

The changes now proposed by the ASB would give appraisers the ability to make it clear that the document they are submitting is not a report, but rather a preliminary document for discussion. If a client relies upon one of these preliminary documents, the document in their file will be clearly marked as being preliminary in nature.

USPAP does not specifically address whether preliminary communications must be retained. This decision is left to the discretion of the appraiser, regulations, laws, or requirements of

professional appraisal organizations. The ASB received stakeholder input from some associations and jurisdictions indicating that they have set requirements with regard to preliminary communications and document retention. As with all services an appraiser provides, it is the appraiser's responsibility to be aware of and comply with all applicable standards, guidelines, and requirements in addition to those required by USPAP.

In order to maintain public trust, the ASB is proposing that all communications of preliminary assignment results be clearly identified as such (e.g., draft, preliminary, for discussion only, etc.) To do otherwise would be misleading. A change proposed to the Conduct Section of the ETHICS RULE specifically addresses this.

1 **DEFINITIONS**

2 **REPORT:** any written communication, ~~written or oral~~, of an appraisal or appraisal review with a
3 signed certification that is transmitted to the client or a party authorized by the client, ~~upon~~
4 ~~completion of an assignment~~ or any oral communication of an appraisal or appraisal review that
5 is transmitted to the client or a party authorized by the client in lieu of a written report.

6 Comment: Most reports are written and most clients mandate written reports. Oral
7 report requirements (see the RECORD KEEPING RULE) are included to cover
8 court testimony and other oral communications of an appraisal or appraisal
9 review.

10 **ETHICS RULE**

11 **Conduct:**

12 **An appraiser must perform assignments with impartiality, objectivity, and independence,**
13 **and without accommodation of personal interests.**

14 **An appraiser:**

- 15 • **must not perform an assignment with bias;**
- 16 • **must not advocate the cause or interest of any party or issue;**
- 17 • **must not accept an assignment that includes the reporting of predetermined**
18 **opinions and conclusions;**
- 19 • **must not misrepresent his or her role when providing valuation services that are**
20 **outside of appraisal practice;**
- 21 • **must not communicate assignment results with the intent to mislead or to defraud;**
- 22 • **must not use or communicate a report or assignment results known by the appraiser**
23 **to be misleading or fraudulent;**

- 24 • **must not knowingly permit an employee or other person to communicate a report or**
25 **assignment results that are misleading or fraudulent report;**
- 26 • **must not communicate all or any portion of assignment results, except in a report,**
27 **without clearly and conspicuously disclosing that the communication is preliminary**
28 **(e.g., draft, preliminary, for discussion only, etc.);**
- 29 • **must not use or rely on unsupported conclusions relating to characteristics such as**
30 **race, color, religion, national origin, gender, marital status, familial status, age,**
31 **receipt of public assistance income, handicap, or an unsupported conclusion that**
32 **homogeneity of such characteristics is necessary to maximize value;**
- 33 • **must not engage in criminal conduct;**
- 34 • **must not willfully or knowingly violate the requirements of the RECORD**
35 **KEEPING RULE; and**
- 36 • **must not perform an assignment in a grossly negligent manner.**

37 Comment: Development standards (1-1, 3-1, 6-1, 7-1 and 9-1) address the
38 requirement that “an appraiser must not render appraisal services in a careless or
39 negligent manner.” The above requirement deals with an appraiser being grossly
40 negligent in performing an assignment which would be a violation of the Conduct
41 section of the ETHICS RULE.

Section 2: Definition of Assignment

RATIONALE

The USPAP definitions of intended use and intended user include the phrase, “on the basis of communication with the client at the time of the assignment.” Because the USPAP definition of assignment includes both: (1) the agreement; and (2) the valuation service, there have been many questions about the time frame referred to by “at the time of the assignment.”

This is important because appraisers cite USPAP in support of differing opinions about what must be done in the event of changes during a valuation service. For some, the USPAP definitions of intended use and intended user seem to prohibit changes after a specific point in the appraisal process. Others believe that the SCOPE OF WORK RULE permits the appraiser flexibility in how to respond to new information. One of the reasons for the differing interpretations is confusion about whether “at the time of the assignment” means the time of the agreement or the period of time during which the valuation service is being provided.

To clarify, the ASB is proposing to revise the USPAP definition of assignment so that the term will refer only to the valuation service.

A modification to the USPAP definitions of intended use and intended user is also being proposed for clarity and consistency.

In addition, the ASB is proposing different wording for the phrase, “at the time of the assignment,” where it occurs in the Being Competent section of the COMPETENCY RULE.

These proposed changes would confirm that the appraiser has flexibility to modify the scope of work based upon information or conditions discovered during a valuation service. The SCOPE OF WORK RULE states “Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work.” Advisory Opinion 36 offers more detail, as follows: “If, during the assignment, an appraiser becomes aware of a change in the intended use, the appraiser must consider whether the extent of the development process and report content initially planned are still appropriate. If they are not, the appraiser must make the necessary changes.” USPAP does not prescribe business practices and does not specify the time frame when changes may be made. USPAP neither requires nor prohibits an appraiser from changing or renegotiating an agreement if a client makes changes to assignment elements after the appraiser has begun work. What USPAP does require is the appraiser take responsibility to ensure that the scope of work for each assignment is sufficient to produce credible assignment results.

If these changes to USPAP are adopted, other minor edits for the purpose of clarity may be made to USPAP, the Advisory Opinions and Frequently Asked Questions prior to publication of the next edition.

42 **DEFINITIONS**

43 **ASSIGNMENT:** ~~1) An agreement between an appraiser and a client to provide a~~
44 ~~valuation service; 2) the a valuation service that is provided by an appraiser as a~~
45 ~~consequence of an agreement with a clientsuch an agreement.~~

46 **INTENDED USE:** the use or uses of an ~~appraiser's reported~~ appraisal or appraisal
47 ~~review report assignment opinions and conclusions,~~ as identified by the appraiser based
48 on communication with the client~~at the time of the assignment.~~

49 **INTENDED USER:** the client and any other party as identified, by name or type, as
50 users of the appraisal or appraisal review report by the appraiser based on ~~the basis of~~
51 communication with the client~~at the time of the assignment.~~

52 **COMPETENCY RULE**

53 **Being Competent**

54 **Prior to agreeing to provide a valuation service, an**The appraiser must determine, ~~prior to~~
55 ~~accepting an assignment,~~ that he or she can perform the assignment competently.

56 **Competency requires:**

- 57 **1. the ability to properly identify the problem to be addressed;**
58 **2. the knowledge and experience to complete the assignment competently; and**
59 **3. recognition of, and compliance with, laws and regulations that apply to the**
60 **appraiser or to the assignment.**

61 Comment: Competency may apply to factors such as, but not limited to, an
62 appraiser's familiarity with a specific type of property or asset, a market, a
63 geographic area, an intended use, specific laws and regulations, or an analytical
64 method. If such a factor is necessary for an appraiser to develop credible assignment
65 results, the appraiser is responsible for having the competency to address that factor
66 or for following the steps outlined below to satisfy this COMPETENCY RULE.

67 For assignments with retrospective opinions and conclusions, the appraiser must meet
68 the requirements of this COMPETENCY RULE at the time the service is performed
69 ~~of the assignment,~~ rather than the effective date.

Section 3: Extraordinary Assumption

RATIONALE:

Appraisers and regulators have commented about difficulty in understanding and explaining the term extraordinary assumption. Some appraisers have asked that the ASB find a different term so clients, unfamiliar with USPAP, do not have to be told that, despite what it says in a thesaurus, *extraordinary* does not mean “strange” or “bizarre.” It is important that clients and other intended users understand what is meant by the term so the required clear and conspicuous disclosure from the appraiser is not misleading.

The ASB is proposing *specific assumption* as a new term for this concept with a revised definition.

No Requirement to Use a Term or Label

While the ASB believes that the new term and revised definition would help clarify the meaning, appraisers would not be required to use this label. The Standards Rules currently require appraisers to “clearly and conspicuously state all extraordinary assumptions and hypothetical conditions” but do not require use of specific terms. Thus, appraisers could continue using the “extraordinary assumption” terminology on pre-printed forms such as the 1004.

Replacing the Definition of Assumption with General Assumption

In the recent Discussion Draft, the ASB requested comments on the idea of adding *general assumption* to the DEFINITIONS. The term, general assumption, is being proposed (in place of assumption) to help distinguish common, ordinary assignment conditions from more significant specific assumptions.

A number of stakeholders have pointed out that any assumption, if found to be false, could impact the appraiser’s opinions and conclusions. Therefore, clarification of this concern is incorporated into the new definition of *general assumption*.

If the change is adopted, *general assumption* will be substituted where assumption (but not extraordinary assumption) appears in USPAP.

Replacing “Extraordinary” with “Specific” Assumption

A specific assumption rises to the level that the appraiser wants to give clear cautionary notice to the client and other intended users. At issue is a significant element of uncertainty in the appraiser’s opinions and conclusions in an appraisal due to an identified factor, which the appraiser cannot reasonably be expected to prove true or false. Identifying a specific assumption serves as a red flag that is required to be disclosed clearly and conspicuously in the report

because if the specific assumption is found to be untrue, it could affect the appraiser's assignment results.

If the change is adopted, *specific assumption* will be substituted in USPAP wherever extraordinary assumption currently appears.

70 **DEFINITIONS**

71 ~~**ASSUMPTION:** that which is taken to be true.~~

72 ~~**EXTRAORDINARY ASSUMPTION:** an assumption, directly related to a specific~~
73 ~~assignment, as of the effective date of the assignment results, which, if found to be false,~~
74 ~~could alter the appraiser's opinions or conclusions.~~

75 ~~Comment: Extraordinary assumptions presume as fact otherwise uncertain~~
76 ~~information about physical, legal, or economic characteristics of the~~
77 ~~subject property; or about conditions external to the property, such as~~
78 ~~market conditions or trends; or about the integrity of data used in an~~
79 ~~analysis.~~

80 ~~**GENERAL ASSUMPTION:** that which is generally accepted as true and the appraiser~~
81 ~~has no reason to doubt, but which, if found to be false, could alter the appraiser's~~
82 ~~opinions and conclusions.~~

83 ~~**SPECIFIC ASSUMPTION:** an assumption about which the appraiser has reasonable~~
84 ~~grounds for uncertainty and which, if found to be false, could alter the appraiser's~~
85 ~~opinions or conclusions in an assignment as of its effective date.~~

86 ~~Comment: Specific assumptions presume as fact otherwise uncertain~~
87 ~~information about physical, legal, or economic characteristics of the~~
88 ~~subject property; or about conditions external to the property, such as~~
89 ~~market conditions or trends; or about the integrity of data used in an~~
90 ~~analysis.~~

SCOPE OF WORK RULE

Lines 421-425 in the 2016-17 edition of USPAP

91 Assignment conditions include general assumptions, ~~extraordinary~~ specific
92 assumptions, hypothetical conditions, laws and regulations, jurisdictional
93 exceptions, and other conditions that affect the scope of work. Laws include
94 constitutions, legislative and court-made law, administrative rules, and
95 ordinances. Regulations include rules or orders, having legal force, issued by an
96 administrative agency.

Lines 440-448 in the 2016-17 edition of USPAP

97 **An appraiser must not allow assignment conditions to limit the scope of work to such a**
98 **degree that the assignment results are not credible in the context of the intended use.**

99 Comment: If relevant information is not available because of assignment
100 conditions that limit research opportunities (such as conditions that place
101 limitations on inspection or information gathering), an appraiser must withdraw
102 from the assignment unless the appraiser can:

- 103 • modify the assignment conditions to expand the scope of work to include
104 gathering the information; or
- 105 • use ~~an extraordinary~~ a specific assumption about such information, if
106 credible assignment results can still be developed.

Additional Edits

If these changes are adopted, then corresponding edits will also be made to the Standards Rules, Advisory Opinions and Frequently Asked Questions.

Section 4: STANDARD 3

RATIONALE:

The ASB is examining STANDARD 3 to determine whether it should be split into separate development and reporting standards like the Standards for real property appraisal (STANDARDS 1 and 2), personal property appraisal (STANDARDS 7 and 8), and business appraisal (STANDARDS 9 and 10). In addition, the ASB is considering a change to the definition of appraisal review; the proposed change to the definition would result in a definition that is more parallel to the definition of appraisal.

This proposed restructuring does not materially change the current development or reporting requirements. However, separating the USPAP requirements for developing an appraisal review opinion from the requirements for communicating that opinion would result in a clearer expression of those requirements. This would also be more consistent with the remainder of USPAP. Similarly, the proposed change to the definition would separate appraisal review development from reporting in the same way it is separated for appraisal.

Although at first glance it may appear that dividing the appraisal review requirements into two Standards is adding a layer of complexity, when looked at in concert with the rest of USPAP, it adds to the overall consistency and the end result would be a document that is easier to understand.

Note: If the proposed revisions are adopted, the ASB would also make any corresponding edits to Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

The ASB is proposing the following edit to the definition of Appraisal Review:

107 **APPRAISAL REVIEW:** (noun) the act or process of developing ~~and communicating~~ an
108 opinion about the quality of another appraiser's work that was performed as part of an appraisal
109 or appraisal review assignment; (adjective) an opinion about the quality of another appraiser's
110 work that was performed as part of an appraisal or appraisal review assignment.

111 Comment: The subject of an appraisal review assignment may be all or part of a
112 report, workfile, or a combination of these.

Due to the extent of the proposed changes to STANDARD 3 and the proposed addition of STANDARD 4, the specific edits are not shown in underscore and strikethrough. Some of the language has been edited for consistency with the other development and reporting standards.

113 **STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT**

114 **In developing an appraisal review, an appraiser must identify the problem to be solved,**
115 **determine the scope of work necessary to solve the problem, and correctly complete**
116 **research and analyses necessary to produce a credible appraisal review.**

117 Comment: STANDARD 3 is directed toward the substantive aspects of
118 developing a credible opinion of the quality of another appraiser’s work that was
119 performed as part of an appraisal or appraisal review assignment. The
120 requirements set forth in STANDARD 3 generally follow the appraisal review
121 development process in the order of topics addressed and can be used by
122 appraisers and the users of appraisal services as a convenient checklist.

123 In this Standard, the term “reviewer” is used to refer to an appraiser performing
124 an appraisal review.

125 **Standards Rule 3-1**

126 **In developing an appraisal review, the reviewer must:**

127 **(a) be aware of, understand, and correctly employ those methods and techniques that**
128 **are necessary to produce a credible appraisal review;**

129 Comment: Changes and developments in economics, finance, law, technology,
130 and society can have a substantial impact on the appraisal profession. To keep
131 abreast of these changes and developments, the appraisal profession is constantly
132 reviewing and revising appraisal methods and techniques and devising new
133 methods and techniques to meet new circumstances. Each appraiser must
134 continuously improve his or her skills to remain proficient in appraisal review.

135 The reviewer must have the knowledge and experience needed to identify and
136 perform the scope of work necessary to produce credible assignment results.
137 Aspects of competency for an appraisal review, depending on the review
138 assignment’s scope of work, may include, without limitation, familiarity with the
139 specific type of property or asset, market, geographic area, analytic method, and
140 applicable laws, regulations and guidelines.

141 **(b) not commit a substantial error of omission or commission that significantly affects**
142 **an appraisal review; and**

143 Comment: A reviewer must use sufficient care to avoid errors that would
144 significantly affect his or her opinions and conclusions. Diligence is required to
145 identify and analyze the factors, conditions, data, and other information that
146 would have a significant effect on the credibility of the assignment results.

147 (c) **not render appraisal review services in a careless or negligent manner, such as**
148 **making a series of errors that, although individually might not significantly affect**
149 **the results of an appraisal review, in the aggregate affects the credibility of those**
150 **results.**

151 Comment: Perfection is impossible to attain, and competence does not require
152 perfection. However, an appraiser must not render appraisal review services in a
153 careless or negligent manner. This Standards Rule requires a reviewer to use due
154 diligence and due care.

155 **Standards Rule 3-2**

156 **In developing an appraisal review, the reviewer must:**

157 (a) **identify the client and other intended users;**

158 (b) **identify the intended use of the reviewer's opinions and conclusions;**

159 Comment: A reviewer must not allow the intended use of an assignment or a
160 client's objectives to cause the assignment results to be biased. A reviewer must
161 not advocate for a client's objectives.

162 The intended use refers to the use of the reviewer's opinions and conclusions by
163 the client and other intended users; examples include, without limitation, quality
164 control, audit, qualification, or confirmation.

165 (c) **identify the purpose of the appraisal review, including whether the assignment**
166 **includes the development of the reviewer's own opinion of value or review opinion**
167 **related to the work under review;**

168 Comment: The purpose of an appraisal review assignment relates to the
169 reviewer's objective; examples include, without limitation, to determine if the
170 results of the work under review are credible for the intended user's intended use,
171 or to evaluate compliance with relevant USPAP requirements, client requirements,
172 or applicable regulations.

173 In the review of an appraisal assignment, the reviewer may provide an opinion of
174 value for the property that is the subject of the work under review.

175 In the review of an appraisal review assignment, the reviewer may provide an
176 opinion of quality of the work that is the subject of the appraisal review
177 assignment.

178 (d) **identify the work under review and the characteristics of that work which are**
179 **relevant to the intended use and purpose of the appraisal review, including:**

- 180 (i) **any ownership interest in the property that is the subject of the work under**
181 **review;**
- 182 (ii) **the date of the work under review and the effective date of the opinions or**
183 **conclusions in the work under review;**
- 184 (iii) **the appraiser(s) who completed the work under review, unless the identity is**
185 **withheld by the client; and**
- 186 (iv) **the physical, legal, and economic characteristics of the property, properties,**
187 **property type(s), or market area in the work under review.**

188 Comment: The subject of an appraisal review assignment may be all or part of a
189 report, a workfile, or a combination of these, and may be related to an appraisal or
190 appraisal review assignment.

- 191 (e) **identify any extraordinary assumptions necessary in the review assignment;**

192 Comment: An extraordinary assumption may be used in a review assignment only
193 if:

- 194 • it is required to properly develop credible opinions and conclusions;
195 • the reviewer has a reasonable basis for the extraordinary assumption;
196 • use of the extraordinary assumption results in a credible analysis; and
197 • the reviewer complies with the disclosure requirements set forth in USPAP
198 for extraordinary assumptions.

- 199 (f) **identify any hypothetical conditions necessary in the review assignment; and**

200 Comment: A hypothetical condition may be used in a review assignment only if:

- 201 • use of the hypothetical condition is clearly required for legal purposes, for
202 purposes of reasonable analysis, or for purposes of comparison;
203 • use of the hypothetical condition results in a credible analysis; and
204 • the reviewer complies with the disclosure requirements set forth in USPAP
205 for hypothetical conditions.

- 206 (g) **determine the scope of work necessary to produce credible assignment results in**
207 **accordance with the SCOPE OF WORK RULE.**

208 Comment: Reviewers have broad flexibility and significant responsibility in
209 determining the appropriate scope of work in an appraisal review assignment.

210 Information that should have been considered by the original appraiser can be
211 used by the reviewer in developing an opinion as to the quality of the work under
212 review.

213 Information that was not available to the original appraiser in the normal course
214 of business may also be used by the reviewer; however, the reviewer must not use
215 such information in the reviewer's development of an opinion as to the quality of
216 the work under review.

217 **Standards Rule 3-3**

218 **In developing an appraisal review, a reviewer must apply the appraisal review methods**
219 **and techniques that are necessary for credible assignment results.**

220 (a) **When necessary for credible assignment results in the review of analyses, opinions,**
221 **and conclusions, the reviewer must:**

222 (i) **develop an opinion as to whether the analyses are appropriate within the**
223 **context of the requirements applicable to that work;**

224 (ii) **develop an opinion as to whether the opinions and conclusions are credible**
225 **within the context of the requirements applicable to that work; and**

226 (iii) **develop the reasons for any disagreement.**

227 Comment: Consistent with the reviewer's scope of work, the reviewer is required
228 to develop an opinion as to the completeness, accuracy, adequacy, relevance, and
229 reasonableness of the analysis in the work under review, given law, regulations, or
230 intended user requirements applicable to the work under review.

231 (b) **When necessary for credible assignment results in the review of a report, the**
232 **reviewer must:**

233 (i) **develop an opinion as to whether the report is appropriate and not**
234 **misleading within the context of the requirements applicable to that work;**
235 **and**

236 (ii) **develop the reasons for any disagreement.**

237 Comment: Consistent with the reviewer's scope of work, the reviewer is required
238 to develop an opinion as to the completeness, accuracy, adequacy, relevance, and
239 reasonableness of the report, given law, regulations, or intended user requirements
240 applicable to that work.

241 (c) **When the assignment includes the reviewer developing his or her own opinion of**
242 **value or review opinion, the following apply:**

243 (i) **The requirements of STANDARDS 1, 6, 7, or 9 apply to the reviewer's**
244 **opinion of value for the property that is the subject of the appraisal review**
245 **assignment.**

246 (ii) **The requirements of STANDARD 3 apply to the reviewer’s opinion of quality**
247 **for the work that is the subject of the appraisal review assignment.**

248 Comment: These requirements apply to:

- 249 • The reviewer’s own opinion of value when the subject of the review is the
250 product of an appraisal assignment; or
- 251 • The reviewer’s own opinion regarding the work reviewed by another when
252 the subject of the review is the product of an appraisal review assignment.

253 These requirements apply whether the reviewer’s own opinion:

- 254 • concurs with the opinions and conclusions in the work under review; or
- 255 • differs from the opinion and conclusions in the work under review.

256 When the assignment includes the reviewer developing his or her own opinion of
257 value or review opinion, the following apply:

- 258 • The reviewer’s scope of work in developing his or her own opinion of
259 value or review opinion may be different from that of the work under
260 review.
- 261 • The effective date of the reviewer’s opinion of value may be the same or
262 different from the effective date of the work under review.
- 263 • The reviewer is not required to replicate the steps completed by the
264 original appraiser. Those items in the work under review that the reviewer
265 concludes are credible can be extended to the reviewer’s development
266 process on the basis of an extraordinary assumption. Those items not
267 deemed to be credible must be replaced with information or analysis
268 developed in conformance with STANDARD 1, 3, 6, 7, or 9, as
269 applicable, to produce credible assignment results.

270 **STANDARD 4: APPRAISAL REVIEW, REPORTING**

271 **In reporting the results of an appraisal review, an appraiser must communicate each**
272 **analysis, opinion, and conclusion in a manner that is not misleading.**

273 Comment: STANDARD 4 addresses the content and level of information required
274 in a report that communicates the results of an appraisal review.

275 STANDARD 4 does not dictate the form, format, or style of appraisal review
276 reports. The form, format, and style of a report are functions of the needs of
277 intended users and appraisers. The substantive content of a report determines its
278 compliance.

279 **Standards Rule 4-1**

280 **Each written or oral Appraisal Review Report must be separate from the work under**
281 **review and must:**

- 282 (a) **clearly and accurately set forth the appraisal review in a manner that will not be**
283 **misleading;**
- 284 (b) **contain sufficient information to enable the intended users of the appraisal review to**
285 **understand the report properly; and**
- 286 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, and**
287 **hypothetical conditions used in the assignment.**

288 Comment: An Appraisal Review Report communicates the results of an appraisal
289 review, which can have as its subject another appraiser's work in an appraisal or
290 appraisal review assignment.

291 **Standards Rule 4-2**

292 The report content and level of information in the Appraisal Review Report is specific to the
293 needs of the client, other intended users, the intended use, and requirements applicable to the
294 assignment. The reporting requirements set forth in this Standard are the minimum for an
295 Appraisal Review Report. An appraiser must supplement a report form, when necessary, to
296 ensure that any intended user of the appraisal review is not misled and that the report complies
297 with the applicable content requirements set forth in this Standards Rule.

298 **The content of an Appraisal Review Report must be consistent with the intended use of the**
299 **appraisal review and, at a minimum:**

- 300 (a) **state the identity of the client, unless the client has specifically requested otherwise;**
301 **state the identity of any intended users by name or type;**

302 Comment: An appraiser must use care when identifying the client to avoid
303 violations of the Confidentiality section of the ETHICS RULE. If a client
304 requests that the client's identity be withheld from the report, the appraiser may
305 comply with this request. In these instances, the appraiser must document the
306 identity of the client in the workfile and must state in the report that the identity of
307 the client has been withheld at the client's request.

- 308 (b) **state the intended use of the appraisal review;**

- 309 (c) **state the purpose of the appraisal review;**

- 310 (d) **state information sufficient to identify:**

- 311 (i) **the work under review, including any ownership interest in the property that**
312 **is the subject of the work under review;**

- 313 (ii) **the date of the work under review;**
314 (iii) **the effective date of the opinions or conclusions in the work under review;**
315 **and**
316 (iv) **the appraiser(s) who completed the work under review, unless the identity is**
317 **withheld by the client.**

318 Comment: If the identity of the appraiser(s) in the work under review is withheld
319 by the client, that fact must be stated in the appraisal review report.

320 (e) **state the date of the appraisal review report;**

321 (f) **clearly and conspicuously:**

- 322 • **state all extraordinary assumptions and hypothetical conditions; and**
- 323 • **state that their use might have affected the assignment results.**

324 (g) **state the scope of work used to develop the appraisal review;**

325 Comment: Because intended users' reliance on an appraisal review may be
326 affected by the scope of work, the appraisal review report must enable them to be
327 properly informed and not misled. Sufficient information includes disclosure of
328 research and analyses performed and might also include disclosure of research
329 and analyses not performed.

330 When any portion of the work involves significant appraisal or appraisal review
331 assistance, the reviewer must state the extent of that assistance. The name(s) of
332 those providing the significant assistance must be stated in the certification, in
333 accordance with Standards Rule 4-3.

334 (h) **state the reviewer's opinions and conclusions about the work under review,**
335 **including the reasons for any disagreement;**

336 Comment: The report must provide sufficient information to enable the client and
337 intended users to understand the rationale for the reviewer's opinions and conclusions.

338 (i) **when the scope of work includes the reviewer's development of an opinion of value**
339 **or review opinion related to the work under review, the reviewer must:**

340 (i) **state which information, analyses, opinions, and conclusions in the work**
341 **under review that the reviewer accepted as credible and used in developing**
342 **the reviewer's opinion and conclusions;**

343 (ii) **if applicable, state the effective date of the reviewer's opinion of value;**

344 (iii) at a minimum, summarize any additional information relied on and the
345 reasoning for the reviewer’s opinion of value or review opinion related to the
346 work under review;

347 (iv) clearly and conspicuously:

348 • state all extraordinary assumptions and hypothetical conditions
349 connected with the reviewer’s opinion of value or review opinion
350 related to the work under review; and

351 • state that their use might have affected the assignment results.

352 Comment: The reviewer may include his or her own opinion of value or review
353 opinion related to the work under review within the appraisal review report itself
354 without preparing a separate report. However, data and analyses provided by the
355 reviewer to support a different opinion or conclusion must match, at a minimum,
356 except for the certification requirements, the reporting requirements for an:

- 357 • Appraisal Report for a real property appraisal (Standards Rule 2-2(a));
- 358 • Appraisal Report for a personal property appraisal (Standards Rule 8-
359 2(a));
- 360 • Appraisal Review Report for an appraisal review (Standards Rule 3-5);
- 361 • Mass Appraisal Report for mass appraisal (Standards Rule 6-8); and
- 362 • Appraisal Report for business appraisal (Standards Rule 10-2(a)).

363 (j) include a signed certification in accordance with Standards Rule 4-3.

364 **Standards Rule 4-3**

365 Each written Appraisal Review Report must contain a signed certification that is similar in
366 content to the following form:

367 I certify that, to the best of my knowledge and belief:

- 368 — the statements of fact contained in this report are true and correct.
- 369 — the reported analyses, opinions, and conclusions are limited only by the
370 reported assumptions and limiting conditions and are my personal,
371 impartial, and unbiased professional analyses, opinions, and conclusions.
- 372 — I have no (or the specified) present or prospective interest in the property
373 that is the subject of the work under review and no (or the specified)
374 personal interest with respect to the parties involved.
- 375 — I have performed no (or the specified) services, as an appraiser or in any
376 other capacity, regarding the property that is the subject of the work under
377 review within the three-year period immediately preceding acceptance of this
378 assignment.

- 379 — I have no bias with respect to the property that is the subject of the work
380 under review or to the parties involved with this assignment.
381 — my engagement in this assignment was not contingent upon developing or
382 reporting predetermined results.
383 — my compensation is not contingent on an action or event resulting from the
384 analyses, opinions, or conclusions in this review or from its use.
385 — my compensation for completing this assignment is not contingent upon the
386 development or reporting of predetermined assignment results or
387 assignment results that favors the cause of the client, the attainment of a
388 stipulated result, or the occurrence of a subsequent event directly related to
389 the intended use of this appraisal review.
390 — my analyses, opinions, and conclusions were developed and this review
391 report was prepared in conformity with the *Uniform Standards of*
392 *Professional Appraisal Practice*.
393 — I have (or have not) made a personal inspection of the subject of the work
394 under review. (If more than one person signs this certification, the
395 certification must clearly specify which individuals did and which
396 individuals did not make a personal inspection of the subject of the work
397 under review.) (For reviews of a business or intangible asset appraisal
398 assignment, the inspection portion of the certification is not applicable.)
399 — no one provided significant appraisal or appraisal review assistance to the
400 person signing this certification. (If there are exceptions, the name of each
401 individual(s) providing appraisal or appraisal review assistance must be
402 stated.)

403 Comment: A signed certification is an integral part of the Appraisal Review
404 Report. A reviewer who signs any part of the appraisal review report, including a
405 letter of transmittal, must also sign the certification.

406 Any reviewer who signs a certification accepts responsibility for all elements of
407 the certification, for the assignment results, and for the contents of the Appraisal
408 Review Report.

409 Appraisal review is distinctly different from the cosigning activity addressed in
410 Standards Rules 2-3, 6-9, 8-3, and 10-3. To avoid confusion between these
411 activities, a reviewer performing an appraisal review must not sign the work
412 under review unless he or she intends to accept responsibility as a cosigner of that
413 work.

414 When a signing appraiser has relied on work done by appraisers and others who
415 do not sign the certification, the signing appraiser is responsible for the decision
416 to rely on their work. The signing appraiser is required to have a reasonable basis
417 for believing that those individuals performing the work are competent. The

418 signing appraiser also must have no reason to doubt that the work of those
419 individuals is credible.

420 The names of individuals providing significant appraisal or appraisal review
421 assistance who do not sign a certification must be stated in the certification. It is
422 not required that the description of their assistance be contained in the
423 certification, but disclosure of their assistance is required in accordance with
424 Standards Rule 4-2(g).

425 **Standards Rule 4-4**

426 **To the extent that it is both possible and appropriate, an oral Appraisal Review Report**
427 **must address the substantive matters set forth in Standards Rule 4-2.**

428 Comment: See the RECORD KEEPING RULE for corresponding requirements.

Section 5: Dividing STANDARD 6, *Mass Appraisal*, into STANDARD 5, *Mass Appraisal, Development* and STANDARD 6, *Mass Appraisal, Reporting*

RATIONALE

Appraisal practice is a continually evolving process. One of the ASB's responsibilities is to periodically review each of the Standards in order to determine whether or not it properly addresses the current development methods and report content for the particular discipline.

For the 2018-19 edition of USPAP the ASB is examining STANDARD 6. This examination included the formation of a working group of mass appraisers, including ad valorem appraisers. The working group was charged with reviewing STANDARD 6 for possible edits or revisions. The group was also asked to offer an opinion as to whether or not STANDARD 6 should be split into separate development and reporting standards like the Standards for real property appraisal (STANDARDS 1 and 2), personal property appraisal (STANDARDS 7 and 8), and business appraisal (STANDARDS 9 and 10).

The mass appraisal working group was in favor of dividing STANDARD 6 into separate development and reporting standards. The group also presented several potential changes to STANDARD 6. All of these potential changes are being considered by the ASB. However, for this exposure draft, only basic changes related to the division of STANDARD 6 and some minor wording changes relating to reporting are being exposed. These proposed edits would make the mass appraisal reporting standard more consistent with the other standards. For example, the requirement to summarize rather than describe is being proposed as being more appropriate to mass appraisal reporting. This is also consistent with the other reporting standards and the requirements for an Appraisal Report.

The proposed new STANDARD 5 and STANDARD 6 follow. Due to the changes in the Standards Rule numbers and required additions to make the separate standards similar to the other paired Standards, this material is not in strikeout and underline format.

429 **STANDARD 5: MASS APPRAISAL, DEVELOPMENT**

430 **In developing a mass appraisal, an appraiser must be aware of, understand, and correctly**
431 **employ those recognized methods and techniques necessary to produce and communicate**
432 **credible mass appraisals.**

433 Comment: STANDARD 5 applies to all mass appraisals of real or personal
434 property regardless of the purpose or use of such appraisal.⁵³ STANDARD 5 is
435 directed toward the substantive aspects of developing credible analyses, opinions,
436 and conclusions in the mass appraisal of properties. The jurisdictional exceptions
437 applicable to public mass appraisals prepared for ad valorem taxation do not apply
438 to mass appraisals prepared for other purposes.

439 A mass appraisal includes:

- 440 1) identifying properties to be appraised;
- 441 2) defining market area of consistent behavior that applies to properties;
- 442 3) identifying characteristics (supply and demand) that affect the creation
443 of value in that market area;
- 444 4) developing a model structure that reflects the relationship among the
445 characteristics affecting value in the market area;
- 446 5) calibrating the model structure to determine the contribution of the
447 individual characteristics affecting value;
- 448 6) applying the conclusions reflected in the model to the characteristics of
449 the property(ies) being appraised; and
- 450 7) reviewing the mass appraisal results.

451 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of
452 STANDARD 5 because ad valorem tax administration is subject to various state,
453 county, and municipal laws.

454 **Standards Rule 5-1**

455 **In developing a mass appraisal, an appraiser must:**

- 456 (a) **be aware of, understand, and correctly employ those recognized methods and**
457 **techniques necessary to produce a credible mass appraisal;**

458 Comment: Mass appraisal provides for a systematic approach and uniform
459 application of appraisal methods and techniques to obtain estimates of value that
460 allow for statistical review and analysis of results.

⁵³ See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

461 This requirement recognizes that the principle of change continues to affect the
462 manner in which appraisers perform mass appraisals. Changes and developments
463 in the real property and personal property fields have a substantial impact on the
464 appraisal profession.

465 To keep abreast of these changes and developments, the appraisal profession is
466 constantly reviewing and revising appraisal methods and techniques and devising
467 new methods and techniques to meet new circumstances. For this reason it is not
468 sufficient for appraisers to simply maintain the skills and the knowledge they
469 possess when they become appraisers. Each appraiser must continuously improve
470 his or her skills to remain proficient in mass appraisal.

471 **(b) not commit a substantial error of omission or commission that significantly affects a**
472 **mass appraisal; and**

473 Comment: An appraiser must use sufficient care to avoid errors that would
474 significantly affect his or her opinions and conclusions. Diligence is required to
475 identify and analyze the factors, conditions, data, and other information that
476 would have a significant effect on the credibility of the assignment results.

477 **(c) not render a mass appraisal in a careless or negligent manner.**

478 Comment: Perfection is impossible to attain, and competence does not require
479 perfection. However, an appraiser must not render appraisal services in a careless
480 or negligent manner. This Standards Rule requires an appraiser to use due
481 diligence and due care.

482 **Standards Rule 5-2**

483 **In developing a mass appraisal, an appraiser must:**

484 **(a) identify the client and other intended users;⁵⁴**

485 Comment: It is the appraiser's responsibility to identify the client and other
486 intended users. In ad valorem mass appraisal, the assessor, or party responsible
487 for certification of the assessment or tax role is required to apply the relevant law
488 or statute and identify the client and other intended users (if any).

489 **(b) identify the intended use of the appraisal;⁵⁵**

490 Comment: An appraiser must not allow the intended use of an assignment or a
491 client's objectives to cause the assignment results to be biased.

⁵⁴ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁵⁵ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

492 (c) **identify the type and definition of value, and, if the value opinion to be developed is**
493 **market value, ascertain whether the value is to be the most probable price:**

494 (i) **in terms of cash; or**

495 (ii) **in terms of financial arrangements equivalent to cash; or**

496 (iii) **in such other terms as may be precisely defined; and**

497 (iv) **if the opinion of value is based on non-market financing or financing with**
498 **unusual conditions or incentives, the terms of such financing must be clearly**
499 **identified and the appraiser's opinion of their contributions to or negative**
500 **influence on value must be developed by analysis of relevant market data;**

501 Comment: For certain types of appraisal assignments in which a legal definition
502 of market value has been established and takes precedence, the
503 JURISDICTIONAL EXCEPTION RULE may apply.

504 (d) **identify the effective date of the appraisal;**⁵⁶

505 (e) **identify the characteristics of the properties that are relevant to the type and**
506 **definition of value and intended use,**⁵⁷ **including:**

507 (i) **the group with which a property is identified according to similar market**
508 **influence;**

509 (ii) **the appropriate market area and time frame relative to the property being**
510 **valued; and**

511 (iii) **their location and physical, legal, and economic characteristics;**

512 Comment: The properties must be identified in general terms, and each individual
513 property in the universe must be identified, with the information on its identity
514 stored or referenced in its property record.

515 When appraising proposed improvements, an appraiser must examine and have
516 available for future examination, plans, specifications, or other documentation
517 sufficient to identify the extent and character of the proposed improvements.⁵⁸

518 Ordinarily, proposed improvements are not appraised for ad valorem tax
519 purposes. Appraisers, however, are sometimes asked to provide opinions of value

⁵⁶ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

⁵⁷ See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

⁵⁸ See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

520 of proposed improvements so that developers can estimate future property tax
521 burdens. Sometimes units in condominiums and planned unit developments are
522 sold with an interest in un-built community property, the pro rata value of which,
523 if any, must be considered in the analysis of sales data.

524 **(f) identify the characteristics of the market that are relevant to the purpose and**
525 **intended use of the mass appraisal including:**

526 **(i) location of the market area;**

527 **(ii) physical, legal, and economic attributes;**

528 **(iii) time frame of market activity; and**

529 **(iv) property interests reflected in the market;**

530 **(g) in appraising real property or personal property:**

531 **(i) identify the appropriate market area and time frame relative to the property**
532 **being valued;**

533 **(ii) when the subject is real property, identify and consider any personal**
534 **property, trade fixtures, or intangibles that are not real property but are**
535 **included in the appraisal;**

536 **(iii) when the subject is personal property, identify and consider any real**
537 **property or intangibles that are not personal property but are included in the**
538 **appraisal;**

539 **(iv) identify known easements, restrictions, encumbrances, leases, reservations,**
540 **covenants, contracts, declarations, special assessments, ordinances, or other**
541 **items of similar nature; and**

542 **(v) identify and analyze whether an appraised fractional interest, physical**
543 **segment, or partial holding contributes pro rata to the value of the whole;**

544 Comment: The above requirements do not obligate the appraiser to value
545 the whole when the subject of the appraisal is a fractional interest,
546 physical segment, or a partial holding. However, if the value of the whole
547 is not identified, the appraisal must clearly reflect that the value of the
548 property being appraised cannot be used to develop the value opinion of
549 the whole by mathematical extension.

550 **(h) analyze the relevant economic conditions at the time of the valuation, including**
551 **market acceptability of the property and supply, demand, scarcity, or rarity;**

552 (i) **identify any extraordinary assumptions and any hypothetical conditions necessary**
553 **in the assignment; and**

554 Comment: An extraordinary assumption may be used in an assignment only if:

- 555 • it is required to properly develop credible opinions and conclusions;
- 556 • the appraiser has a reasonable basis for the extraordinary assumption;
- 557 • use of the extraordinary assumption results in a credible analysis; and
- 558 • the appraiser complies with the disclosure requirements set forth in
559 USPAP for extraordinary assumptions.

560 A hypothetical condition may be used in an assignment only if:

- 561 • use of the hypothetical condition is clearly required for legal purposes,
562 for purposes of reasonable analysis, or for purposes of comparison;
- 563 • use of the hypothetical condition results in a credible analysis; and
- 564 • the appraiser complies with the disclosure requirements set forth in
565 USPAP for hypothetical conditions.

566 (j) **determine the scope of work necessary to produce credible assignment results in**
567 **accordance with the SCOPE OF WORK RULE.⁵⁹**

568 **Standards Rule 5-3**

569 **When necessary for credible assignment results, an appraiser must:**

570 (a) **in appraising real property, identify and analyze the effect on use and value of the**
571 **following factors: existing land use regulations, reasonably probable modifications**
572 **of such regulations, economic supply and demand, the physical adaptability of the**
573 **real estate, neighborhood trends, and highest and best use of the real estate; and**

574 Comment: This requirement sets forth a list of factors that affect use and value. In
575 considering neighborhood trends, an appraiser must avoid stereotyped or biased
576 assumptions relating to race, age, color, gender, or national origin or an
577 assumption that race, ethnic, or religious homogeneity is necessary to maximize
578 value in a neighborhood. Further, an appraiser must avoid making an unsupported
579 assumption or premise about neighborhood decline, effective age, and remaining
580 life. In considering highest and best use, an appraiser must develop the concept to
581 the extent required for a proper solution to the appraisal problem.

582 (b) **in appraising personal property: identify and analyze the effects on use and value of**
583 **industry trends, value-in-use, and trade level of personal property. Where**
584 **applicable, analyze the current use and alternative uses to encompass what is**

⁵⁹ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

585 **profitable, legal, and physically possible, as relevant to the type and definition of**
586 **value and intended use of the appraisal. Personal property has several measurable**
587 **marketplaces; therefore, the appraiser must define and analyze the appropriate**
588 **market consistent with the type and definition of value.**

589 Comment: The appraiser must recognize that there are distinct levels of trade and
590 each may generate its own data. For example, a property may have a different
591 value at a wholesale level of trade, a retail level of trade, or under various auction
592 conditions. Therefore, the appraiser must analyze the subject property within the
593 correct market context.

594 **Standards Rule 5-4**

595 **In developing a mass appraisal, an appraiser must:**

596 **(a) identify the appropriate procedures and market information required to perform**
597 **the appraisal, including all physical, functional, and external market factors as they**
598 **may affect the appraisal;**

599 Comment: Such efforts customarily include the development of standardized data
600 collection forms, procedures, and training materials that are used uniformly on the
601 universe of properties under consideration.

602 **(b) employ recognized techniques for specifying property valuation models; and**

603 Comment: The formal development of a model in a statement or equation is
604 called model specification. Mass appraisers must develop mathematical models
605 that, with reasonable accuracy, represent the relationship between property value
606 and supply and demand factors, as represented by quantitative and qualitative
607 property characteristics. The models may be specified using the cost, sales
608 comparison, or income approaches to value. The specification format may be
609 tabular, mathematical, linear, nonlinear, or any other structure suitable for
610 representing the observable property characteristics. Appropriate approaches must
611 be used in appraising a class of properties. The concept of recognized techniques
612 applies to both real and personal property valuation models.

613 **(c) employ recognized techniques for calibrating mass appraisal models.**

614 Comment: Calibration refers to the process of analyzing sets of property and
615 market data to determine the specific parameters of a model. The table entries in a
616 cost manual are examples of calibrated parameters, as well as the coefficients in a
617 linear or nonlinear model. Models must be calibrated using recognized
618 techniques, including, but not limited to, multiple linear regression, nonlinear
619 regression, and adaptive estimation.

620 **Standards Rule 5-5**

621 **In developing a mass appraisal, when necessary for credible assignment results, an**
622 **appraiser must:**

623 **(a) collect, verify, and analyze such data as are necessary and appropriate to develop:**

624 **(i) the cost new of the improvements;**

625 **(ii) accrued depreciation;**

626 **(iii) value of the land by sales of comparable properties;**

627 **(iv) value of the property by sales of comparable properties;**

628 **(v) value by capitalization of income or potential earnings (i.e., rentals, expenses,**
629 **interest rates, capitalization rates, and vacancy data);**

630 Comment: This Standards Rule requires appraisers engaged in mass appraisal to
631 take reasonable steps to ensure that the quantity and quality of the factual data that
632 are collected are sufficient to produce credible appraisals. For example, in real
633 property, where applicable and feasible, systems for routinely collecting and
634 maintaining ownership, geographic sales, income and expense, cost, and property
635 characteristics data must be established. Geographic data must be contained in as
636 complete a set of cadastral maps as possible, compiled according to current
637 standards of detail and accuracy. Sales data must be collected, confirmed,
638 screened, adjusted, and filed according to current standards of practice. The sales
639 file must contain, for each sale, property characteristics data that are
640 contemporaneous with the date of sale. Property characteristics data must be
641 appropriate and relevant to the mass appraisal models being used. The property
642 characteristics data file must contain data contemporaneous with the date of
643 appraisal including historical data on sales, where appropriate and available. The
644 data collection program must incorporate a quality control program, including
645 checks and audits of the data to ensure current and consistent records.

646 **(b) base estimates of capitalization rates and projections of future rental rates and/or**
647 **potential earnings capacity, expenses, interest rates, and vacancy rates on**
648 **reasonable and appropriate evidence;⁶⁰**

649 Comment: This requirement calls for an appraiser, in developing income and
650 expense statements and cash flow projections, to weigh historical information and
651 trends, current market factors affecting such trends, and reasonably anticipated

⁶⁰ See Advisory Opinion 33, *Discounted Cash Flow Analysis*.

652 events, such as competition from developments either planned or under
653 construction.

654 (c) **identify and, as applicable, analyze terms and conditions of any available leases; and**

655 (d) **identify the need for and extent of any physical inspection.**⁶¹

656 **Standards Rule 5-6**

657 **When necessary for credible assignment results in applying a calibrated mass appraisal**
658 **model an appraiser must:**

659 (a) **value improved parcels by recognized methods or techniques based on the cost**
660 **approach, the sales comparison approach, and income approach;**

661 (b) **value sites by recognized methods or techniques; such techniques include but are**
662 **not limited to the sales comparison approach, allocation method, abstraction**
663 **method, capitalization of ground rent, and land residual technique;**

664 (c) **when developing the value of a leased fee estate or a leasehold estate, analyze the**
665 **effect on value, if any, of the terms and conditions of the lease;**

666 Comment: In ad valorem taxation the appraiser may be required by rules or law to
667 appraise the property as if in fee simple, as though unencumbered by existing
668 leases. In such cases, market rent would be used in the appraisal, ignoring the
669 effect of the individual, actual contract rents.

670 (d) **analyze the effect on value, if any, of the assemblage of the various parcels, divided**
671 **interests, or component parts of a property; the value of the whole must not be**
672 **developed by adding together the individual values of the various parcels, divided**
673 **interests, or component parts; and**

674 Comment: When the value of the whole has been established and the appraiser
675 seeks to value a part, the value of any such part must be tested by reference to
676 appropriate market data and supported by an appropriate analysis of such data.

677 (e) **when analyzing anticipated public or private improvements, located on or off the**
678 **site, analyze the effect on value, if any, of such anticipated improvements to the**
679 **extent they are reflected in market actions.**

680 **Standards Rule 5-7**

681 **In reconciling a mass appraisal an appraiser must:**

⁶¹ See Advisory Opinion 2, *Inspection of Subject Property*.

682 (a) **reconcile the quality and quantity of data available and analyzed within the**
683 **approaches used and the applicability and relevance of the approaches, methods**
684 **and techniques used; and**

685 (b) **employ recognized mass appraisal testing procedures and techniques to ensure that**
686 **standards of accuracy are maintained.**

687 Comment: It is implicit in mass appraisal that, even when properly specified and
688 calibrated mass appraisal models are used, some individual value conclusions will
689 not meet standards of reasonableness, consistency, and accuracy. However,
690 appraisers engaged in mass appraisal have a professional responsibility to ensure
691 that, on an overall basis, models produce value conclusions that meet attainable
692 standards of accuracy. This responsibility requires appraisers to evaluate the
693 performance of models, using techniques that may include but are not limited to,
694 goodness-of-fit statistics, and model performance statistics such as appraisal-to-
695 sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

696 **STANDARD 6: MASS APPRAISAL, REPORTING**

697 **In reporting the results of a mass appraisal, an appraiser must communicate each analysis,**
698 **opinion, and conclusion in a manner that is not misleading.**

699 Comment: STANDARD 6 addresses the content and level of information required
700 in a report that communicates the results of a mass appraisal.

701 STANDARD 6 does not dictate the form, format, or style of mass appraisal
702 reports. The form, format, and style of a report are functions of the needs of
703 intended users and appraisers. The substantive content of a report determines its
704 compliance.

705 **Standards Rule 6-1**

706 **Each written report of a mass appraisal must:**

707 (a) **clearly and accurately set forth the appraisal in a manner that will not be**
708 **misleading;**

709 (b) **contain sufficient information to enable the intended users of the appraisal to**
710 **understand the report properly;**

711 Comment: Documentation for a mass appraisal for ad valorem taxation may be in
712 the form of (1) property records, (2) sales ratios and other statistical studies, (3)
713 appraisal manuals and documentation, (4) market studies, (5) model building
714 documentation, (6) regulations, (7) statutes, and (8) other acceptable forms.

715 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
716 **hypothetical conditions, and limiting conditions used in the assignment;**

717 Comment: The report must clearly and conspicuously:

- 718 • state all extraordinary assumptions and hypothetical conditions; and
- 719 • state that their use might have affected the assignment results.

720 **Standards Rule 6-2**

721 **Each written report of a mass appraisal must:**

722 (i) **state the identity of the client, unless the client has specifically requested otherwise;**
723 **state the identity of any intended users by name or type;⁶²**

724 Comment: An appraiser must use care when identifying the client to avoid
725 violations of the Confidentiality section of the ETHICS RULE. If a client
726 requests that the client's identity be withheld from the report, the appraiser may
727 comply with this request. In these instances, the appraiser must document the
728 identity of the client in the workfile and must state in the report that the identity of
729 the client has been withheld at the client's request.

730 (ii) **state the intended use of the appraisal;⁶³**

731 (iii) **disclose any assumptions or limiting conditions that result in deviation from**
732 **recognized methods and techniques or that affect analyses, opinions, and**
733 **conclusions;**

734 (iv) **state the effective date of the appraisal and the date of the report;**

735 Comment: In ad valorem taxation the effective date of the appraisal may be
736 prescribed by law. If no effective date is prescribed by law, the effective date of
737 the appraisal, if not stated, is presumed to be contemporaneous with the data and
738 appraisal conclusions.

739 The effective date of the appraisal establishes the context for the value opinion,
740 while the date of the report indicates whether the perspective of the appraiser on
741 the market and property as of the effective date of the appraisal was prospective,
742 current, or retrospective.⁶⁴

743 (v) **state the type and definition of value and cite the source of the definition;**

⁶² See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶³ See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶⁴ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

744 Comment: Stating the type and definition of value also requires any comments
745 needed to clearly indicate to intended users how the definition is being applied.⁶⁵

746 When reporting an opinion of market value, state whether the opinion of value is:

- 747 • In terms of cash or of financing terms equivalent to cash; or
- 748 • Based on non-market financing with unusual conditions or incentives.

749 When an opinion of market value is not in terms of cash or based on financing
750 terms equivalent to cash, summarize the terms of such financing and explain their
751 contributions to or negative influence on value.

752 **(vi) state the properties appraised including the property rights;**

753 Comment: The report documents the sources for location, describing and listing
754 the property. When applicable, include references to legal descriptions, addresses,
755 parcel identifiers, photos, and building sketches. In mass appraisal this
756 information is often included in property records. When the property rights to be
757 appraised are specified in a statute or court ruling, the law must be referenced.

758 **(vii) summarize the scope of work used to develop the appraisal;⁶⁶ exclusion of the sales
759 comparison approach, cost approach, or income approach must be explained;**

760 Comment: Because intended users' reliance on an appraisal may be affected by
761 the scope of work, the report must enable them to be properly informed and not
762 misled. Sufficient information includes disclosure of research and analyses
763 performed and might also include disclosure of research and analyses not
764 performed.

765 When any portion of the work involves significant mass appraisal assistance, the
766 appraiser must describe the extent of that assistance. The signing appraiser must
767 also state the name(s) of those providing the significant mass appraisal assistance
768 in the certification, in accordance with Standards Rule 6-3.⁶⁷

769 **(vii) summarize and support the model specification(s) considered, data requirements,
770 and the model(s) chosen;**

771 Comment: The appraiser must provide sufficient information to enable the client
772 and intended users to have confidence that the process and procedures used
773 conform to accepted methods and result in credible value conclusions. In the case
774 of mass appraisal for ad valorem taxation, stability and accuracy are important to

⁶⁵ See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

⁶⁶ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*

⁶⁷ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

775 the credibility of value opinions. The report must include a summary of the
776 rationale for each model, the calibration techniques to be used, and the
777 performance measures to be used.

778 **(viii) summarize the procedure for collecting, validating, and reporting data;**

779 Comment: The report must describe the sources of data and the data collection
780 and validation processes. Reference to detailed data collection manuals or
781 electronic records must be made, as appropriate, including where they may be
782 found for inspection.

783 **(ix) summarize calibration methods considered and chosen, including the mathematical**
784 **form of the final model(s); summarize how value conclusions were reviewed; and, if**
785 **necessary, state the availability and location of individual value conclusions;**

786 **(x) when an opinion of highest and best use, or the appropriate market or market level**
787 **was developed, summarize how that opinion was determined;**

788 Comment: The mass appraisal report must reference case law, statute, or public
789 policy that describes highest and best use requirements. When actual use is the
790 requirement, the report must discuss how use-value opinions were developed. The
791 appraiser's reasoning in support of the highest and best use opinion must be
792 provided in the depth and detail required by its significance to the appraisal.

793 **(xi) identify the appraisal performance tests used and the performance measures**
794 **attained;**

795 **(xii) summarize the reconciliation performed, in accordance with Standards Rule 5-7;**
796 **and**

797 **(xiii) include a signed certification in accordance with Standards Rule 6-3.**

798 **Standards Rule 6-3**

799 **Each written mass appraisal report must contain a signed certification that is similar in**
800 **content to the following form:**

801 **I certify that, to the best of my knowledge and belief:**

- 802 — the statements of fact contained in this report are true and correct.
- 803 — the reported analyses, opinions, and conclusions are limited only by the
- 804 reported assumptions and limiting conditions, and are my personal,
- 805 impartial, and unbiased professional analyses, opinions, and conclusions.

- 806 — I have no (or the specified) present or prospective interest in the property
807 that is the subject of this report, and I have no (or the specified) personal
808 interest with respect to the parties involved.
- 809 — I have performed no (or the specified) services, as an appraiser or in any
810 other capacity, regarding the property that is the subject of this report
811 within the three-year period immediately preceding acceptance of this
812 assignment.
- 813 — I have no bias with respect to any property that is the subject of this report
814 or to the parties involved with this assignment.
- 815 — my engagement in this assignment was not contingent upon developing or
816 reporting predetermined results.
- 817 — my compensation for completing this assignment is not contingent upon the
818 reporting of a predetermined value or direction in value that favors the cause
819 of the client, the amount of the value opinion, the attainment of a stipulated
820 result, or the occurrence of a subsequent event directly related to the
821 intended use of this appraisal.
- 822 — my analyses, opinions, and conclusions were developed, and this report has
823 been prepared, in conformity with the *Uniform Standards of Professional*
824 *Appraisal Practice*.
- 825 — I have (or have not) made a personal inspection of the properties that are the
826 subject of this report. (If more than one person signs the report, this
827 certification must clearly specify which individuals did and which individuals
828 did not make a personal inspection of the appraised property.)⁶⁸
- 829 — no one provided significant mass appraisal assistance to the person signing
830 this certification. (If there are exceptions, the name of each individual
831 providing significant mass appraisal assistance must be stated.)

832 Comment: The above certification is not intended to disturb an elected or
833 appointed assessor's work plans or oaths of office. A signed certification is an
834 integral part of the appraisal report. An appraiser, who signs any part of the mass
835 appraisal report, including a letter of transmittal, must also sign this certification.

836 In an assignment that includes only assignment results developed by the real
837 property appraiser(s), any appraiser(s) who signs a certification accepts full
838 responsibility for all elements of the certification, for the assignment results, and
839 for the contents of the appraisal report. In an assignment that includes personal
840 property assignment results not developed by the real property appraiser(s), any
841 real property appraiser(s) who signs a certification accepts full responsibility for
842 the real property elements of the certification, for the real property assignment
843 results, and for the real property contents of the appraisal report.

⁶⁸ See Advisory Opinion 2, *Inspection of Subject Property*.

844 In an assignment that includes only assignment results developed by the personal
845 property appraiser(s), any appraiser(s) who signs a certification accepts full
846 responsibility for all elements of the certification, for the assignment results, and
847 for the contents of the appraisal report. In an assignment that includes real
848 property assignment results not developed by the personal property appraiser(s),
849 any personal property appraiser(s) who signs a certification accepts full
850 responsibility for the personal property elements of the certification, for the
851 personal property assignment results, and for the personal property contents of the
852 appraisal report.

853 When a signing appraiser(s) has relied on work done by appraisers and others
854 who do not sign the certification, the signing appraiser is responsible for the
855 decision to rely on their work. The signing appraiser(s) is required to have a
856 reasonable basis for believing that those individuals performing the work are
857 competent. The signing appraiser(s) also must have no reason to doubt that the
858 work of those individuals is credible.

859 The names of individuals providing significant mass appraisal assistance who do
860 not sign a certification must be stated in the certification. It is not required that the
861 description of their assistance be contained in the certification, but disclosure of
862 their assistance is required in accordance with Standards Rule 6-2(vii).⁶⁹

⁶⁹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

Section 6: Standards Rules 7-2(c), SR 7-5, and 8-2(v)

RATIONALE

The ASB is proposing to revise Standards Rules 7-2(c), 7-5, 8-2(a)(v), 8-2(a)(viii) and 8-2(b)(viii). As currently written, these Standards Rules include requirements that are limited to developing and reporting opinions of market value.

Since the type of value in personal property appraisals is rarely market value, these references to market value may be confusing and may lead to limitations in the scope of personal property appraisal development and reporting.

The ASB is proposing to remove the market value references in the Standards Rules noted above in order to clarify that certain tasks are not limited to market value assignments but are required whenever necessary for credible assignment results.

This change has resulted in a new requirement that the personal property appraiser ascertain and state in every appraisal whether the opinion of value is in terms of cash or of financing terms equivalent to cash or if it is based on non-market financing or financing with unusual conditions or incentives.

This requirement will be met if the appraisal includes a definition of value that clearly specifies the terms and if, when an opinion of value is not in terms of cash or based on financing terms equivalent to cash, the appraiser summarizes the terms of such financing and explains their contributions to or negative influence on value.

863 **Standards Rule 7-2**

864 **In developing a personal property appraisal, an appraiser must:**

865 (a) **identify the client and other intended users;**

866 (b) **identify the intended use of the appraiser's opinions and conclusions;**

867 Comment: An appraiser must not allow the intended use of an assignment or a
868 client's objectives to cause the assignment results to be biased.

869 (c) **identify the type and definition of value, and ~~If the value opinion to be developed is~~
870 ~~market value~~, ascertain whether the value is to be ~~the most probable price~~:**

871 (i) **in terms of cash; or**

872 (ii) **in terms of financial arrangements equivalent to cash; or**

873 (iii) **in other precisely defined terms; and**

874 (iv) **if the opinion of value is to be based on non-market financing or financing**
875 **with unusual conditions or incentives, the terms of such financing must be**
876 **clearly identified and the appraiser’s opinion of their contributions to or**
877 **negative influence on value must be developed by analysis of relevant market**
878 **data;**

879 Comment: When reasonable exposure time is a component of the
880 definition for the value opinion being developed, the appraiser must also
881 develop an opinion of reasonable exposure time linked to that value
882 opinion.

883 (d) **identify the effective date of the appraiser’s opinions and conclusions;**

884 (e) **identify the characteristics of the property that are relevant to the type and**
885 **definition of value and intended use of the appraisal, including:**

886 (i) **sufficient characteristics to establish the identity of the item including the**
887 **method of identification;**

888 (ii) **sufficient characteristics to establish the relative quality of the item (and its**
889 **component parts, where applicable) within its type;**

890 (iii) **all other physical and economic attributes with a material effect on value;**

891 Comment: Some examples of physical and economic characteristics
892 include condition, style, size, quality, manufacturer, author, materials,
893 origin, age, provenance, alterations, restorations, and obsolescence. The
894 type of property, the type and definition of value, and intended use of the
895 appraisal determine which characteristics have a material effect on value.

896 (iv) **the ownership interest to be valued;**

897 (v) **any known restrictions, encumbrances, leases, covenants, contracts,**
898 **declarations, special assessments, ordinances, or other items of a similar**
899 **nature if relevant to the assignment; and**

900 (vi) **any real property or intangible items that are not personal property but**
901 **which are included in the appraisal;**

902 Comment on (i)–(vi): The information used by an appraiser to identify the
903 property characteristics must be from sources the appraiser reasonably
904 believes are reliable.

905 An appraiser may use any combination of a property inspection and
906 documents or other resources to identify the relevant characteristics of the
907 subject property.

908 When appraising proposed modifications, an appraiser must examine and
909 have available for future examination, documentation sufficient to identify
910 the extent and character of the proposed modifications.

911 An appraiser may not be required to value the whole when the subject of
912 the appraisal is a fractional interest, a physical segment, or a partial
913 holding.

914 **(f) identify any extraordinary assumptions necessary in the assignment;**

915 Comment: An extraordinary assumption may be used in an assignment only if:

- 916 • it is required to properly develop credible opinions and conclusions;
- 917 • the appraiser has a reasonable basis for the extraordinary assumption;
- 918 • use of the extraordinary assumption results in a credible analysis; and
- 919 • the appraiser complies with the disclosure requirements set forth in
920 USPAP for extraordinary assumptions.

921 **(g) identify any hypothetical conditions necessary in the assignment; and**

922 Comment: A hypothetical condition may be used in an assignment only if:

- 923 • use of the hypothetical condition is clearly required for legal purposes, for
924 purposes of reasonable analysis, or for purposes of comparison;
- 925 • use of the hypothetical condition results in a credible analysis; and
- 926 • the appraiser complies with the disclosure requirements set forth in
927 USPAP for hypothetical conditions.

928 **(h) determine the scope of work necessary to produce credible assignment results in**
929 **accordance with the SCOPE OF WORK RULE.**

930 **Standards Rule 7-5**

931 **When necessary for credible assignment results ~~developing an opinion of market value~~, an**
932 **appraiser must, if such information is available to the appraiser in the normal course of**
933 **business:**

934 **(a) analyze all agreements of sale, validated offers or third-party offers to sell, options,**
935 **and listings of the subject property current as of the effective date of the appraisal if**
936 **warranted by the intended use of the appraisal; and**

937 (b) **analyze all prior sales of the subject property that occurred within a reasonable and**
938 **applicable time period if relevant given the intended use of the appraisal and**
939 **property type.**

940 Comment: The data needed for the required analyses in Standards Rule 7-5(a)
941 and 7-5(b) may not be available or relevant in all assignments. See the Comments
942 to Standards Rules 8-2(a)(viii) and 8-2(b)(viii) for corresponding reporting
943 requirements.

944 **Standards Rule 8-2**

945 **Each written personal property appraisal report must be prepared under one of the**
946 **following options and prominently state which option is used: Appraisal Report or**
947 **Restricted Appraisal Report.**

948 Comment: When the intended users include parties other than the client, an
949 Appraisal Report must be provided. When the intended users do not include
950 parties other than the client, a Restricted Appraisal Report may be provided.

951 The essential difference between these two options is in the content and level of
952 information provided. The appropriate reporting option and the level of
953 information necessary in the report are dependent on the intended use and
954 intended users.

955 An appraiser must use care when characterizing the type of report and level of
956 information communicated upon completion of an assignment. An appraiser may
957 use any other label in addition to, but not in place of, the label set forth in this
958 Standard for the type of report provided.

959 The report content and level of information requirements set forth in this Standard
960 are minimums for each type of report. An appraiser must supplement a report
961 form, when necessary, to ensure that any intended user of the appraisal is not
962 misled and that the report complies with the applicable content requirements set
963 forth in this Standards Rule.

964 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in
965 order to satisfy disclosure requirements does not become an intended user of the
966 appraisal unless the appraiser identifies such party as an intended user as part of
967 the assignment.

968 (a) **The content of an Appraisal Report must be consistent with the intended use of the**
969 **appraisal and, at a minimum:**

970 (i) **state the identity of the client, unless the client has specifically requested**
971 **otherwise; state the identity of any intended users by name or type;**

972 Comment: An appraiser must use care when identifying the client to
973 avoid violations of the Confidentiality section of the ETHICS RULE. If a
974 client requests that the client's identity be withheld from the report, the
975 appraiser may comply with this request. In these instances, the appraiser
976 must document the identity of the client in the workfile and must state in
977 the report that the identity of the client has been withheld at the client's
978 request.

979 Types of intended users of the report might include parties such as lenders,
980 employees of government agencies, partners of a client, and a client's
981 attorney and accountant.

982 **(ii) state the intended use of the appraisal;**

983 **(iii) summarize information sufficient to identify the property involved in the**
984 **appraisal, including the physical and economic property characteristics**
985 **relevant to the assignment;**

986 **(iv) state the property interest appraised;**

987 **(v) state the type and definition of value and cite the source of the definition;**

988 Comment: Stating the definition of value also requires any comments
989 needed to clearly indicate to the intended users how the definition is being
990 applied.

991 When reporting an opinion of ~~market~~ value, state whether the opinion of
992 value is:

- 993 • in terms of cash or of financing terms equivalent to cash, or
- 994 • based on non-market financing or financing with unusual
- 995 conditions or incentives.

996 When an opinion of ~~market~~ value is not in terms of cash or based on
997 financing terms equivalent to cash, summarize the terms of such financing
998 and explain their contributions to or negative influence on value.

999 When an opinion of reasonable exposure time has been developed in
1000 compliance with Standards Rule 7-2(c), the opinion must be stated in the
1001 report.

1002 **(vi) state the effective date of the appraisal and the date of the report;**

1003 Comment: The effective date of the appraisal establishes the context for
1004 the value opinion, while the date of the report indicates whether the

1005 perspective of the appraiser on the market and property as of the effective
1006 date of the appraisal was prospective, current, or retrospective.

1007 **(vii) summarize the scope of work used to develop the appraisal;**

1008 Comment: Because intended users' reliance on an appraisal may be
1009 affected by the scope of work, the report must enable them to be properly
1010 informed and not misled. Sufficient information includes disclosure of
1011 research and analyses performed and might also include disclosure of
1012 research and analyses not performed.

1013 When any portion of the work involves significant personal property
1014 appraisal assistance, the appraiser must summarize the extent of that
1015 assistance. The name(s) of those providing the significant personal
1016 property appraisal assistance must be stated in the certification, in
1017 accordance with Standards Rule 8-3.

1018 **(viii) summarize the information analyzed, the appraisal methods and techniques
1019 employed, and the reasoning that supports the analyses, opinions, and
1020 conclusions; exclusion of the sales comparison approach, cost approach, or
1021 income approach must be explained;**

1022 Comment: An Appraisal Report must include sufficient information to
1023 indicate that the appraiser complied with the requirements of STANDARD
1024 7. The amount of detail required will vary with the significance of the
1025 information to the appraisal and with the significance of a particular object
1026 or group of objects to the overall assignment results.

1027 The appraiser must provide sufficient information to enable the client and
1028 intended users to understand the rationale for the opinion and conclusions,
1029 including reconciliation of the data and approaches, in accordance with
1030 Standards Rule 7-6.

1031 ~~When reporting an opinion of market value, a summary of the results of~~
1032 ~~the analysis of the subject sales, offers, options, and listings in accordance~~
1033 ~~with Standards Rule 7-5 is necessary. In accordance with Standards Rule~~
1034 ~~7-5, when the appraiser has developed an analysis of agreements of sale,~~
1035 ~~validated offers or third-party offers to sell, options, listings or prior sales~~
1036 ~~of the subject property, the appraiser must report a summary of the results~~
1037 ~~of the analysis. If such information was unobtainable, a statement on the~~
1038 ~~efforts undertaken by the appraiser to obtain the information is required. If~~
1039 ~~such information is irrelevant, a statement acknowledging the existence of~~
1040 ~~the information and citing its lack of relevance is required.~~

1041 (ix) **state, as appropriate to the class of personal property involved, the use of the**
1042 **property existing as of the date of value and the use of the property reflected**
1043 **in the appraisal;**

1044 Comment: In the context of personal property, value can be a function of
1045 the current and alternative use of the subject property, the choice of the
1046 appropriate market or market level for the type of item, the type and
1047 definition of value, and intended use of the report.

1048 (x) **when an opinion of the appropriate market or market level was developed by**
1049 **the appraiser, summarize the support and rationale for that opinion;**

1050 (xi) **clearly and conspicuously:**

- 1051 • **state all extraordinary assumptions and hypothetical**
- 1052 **conditions; and**
- 1053 • **state that their use might have affected the assignment results;**
- 1054 **and**

1055 (xii) **include a signed certification in accordance with Standards Rule 8-3.**

1056 (b) **The content of a Restricted Appraisal Report must be consistent with the intended**
1057 **use of the appraisal and, at a minimum:**

1058 (i) **state the identity of the client, unless the client has specifically requested**
1059 **otherwise; and state a prominent use restriction that limits use of the report**
1060 **to the client and warns that the rationale for how the appraiser arrived at the**
1061 **opinions and conclusions set forth in the report may not be understood**
1062 **properly without additional information in the appraiser’s workfile;**

1063 Comment: An appraiser must use care when identifying the client to avoid
1064 violations of the Confidentiality section of the ETHICS RULE. If a client
1065 requests that the client’s identity be withheld from the report, the appraiser
1066 may comply with this request. In these instances, the appraiser must
1067 document the identity of the client in the workfile and must state in the
1068 report that the identity of the client has been withheld at the client’s
1069 request.

1070 The Restricted Appraisal Report is for client use only. Before entering into
1071 an agreement, the appraiser should establish with the client the situations
1072 where this type of report is to be used and should ensure that the client
1073 understands the restricted utility of the Restricted Appraisal Report.

1074 (ii) **state the intended use of the appraisal;**

1075 Comment: The intended use of the appraisal must be consistent with the
1076 limitation on use of the Restricted Appraisal Report option in this
1077 Standards Rule (i.e., client use only).

1078 **(iii) state information sufficient to identify the property involved in the appraisal;**

1079 **(iv) state the property interest appraised;**

1080 **(v) state the type of value and cite the source of its definition;**

1081 Comment: When an opinion of reasonable exposure time has been
1082 developed in compliance with Standards Rule 7-2(c), the opinion must be
1083 stated in the report.

1084 **(vi) state the effective date of the appraisal and the date of the report;**

1085 Comment: The effective date of the appraisal establishes the context for
1086 the value opinion, while the date of the report indicates whether the
1087 perspective of the appraiser on the market and property as of the effective
1088 date of the appraisal was prospective, current, or retrospective.

1089 **(vii) state the scope of work used to develop the appraisal;**

1090 Comment: Because the client's reliance on an appraisal may be affected by
1091 the scope of work, the report must enable them to be properly informed
1092 and not misled. Sufficient information includes disclosure of research and
1093 analyses performed and might also include disclosure of research and
1094 analyses not performed.

1095 When any portion of the work involves significant personal property
1096 appraisal assistance, the appraiser must state the extent of that assistance.
1097 The name(s) of those providing the significant personal property appraisal
1098 assistance must be stated in the certification, in accordance with Standards
1099 Rule 8-3.

1100 **(viii) state the appraisal methods and techniques employed, state the value
1101 opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of
1102 the sales comparison approach, cost approach, or income approach must be
1103 explained;**

1104 Comment: An appraiser must maintain a specific, coherent workfile in
1105 support of a Restricted Appraisal Report. The contents of the workfile
1106 must include sufficient information to indicate that the appraiser complied
1107 with the requirements of STANDARD 7 and for the appraiser to produce
1108 an Appraisal Report.

1109 ~~When reporting an opinion of market value, information~~ analyzed in
1110 compliance with Standards Rule 7-5 is significant information that must
1111 be disclosed in a Restricted Appraisal Report. If such information was
1112 unobtainable, a statement on the efforts undertaken by the appraiser to
1113 obtain the information is required. If such information is irrelevant, a
1114 statement acknowledging the existence of the information and citing its
1115 lack of relevance is required.

1116 (ix) **state, as appropriate to the class of personal property involved, the use of the**
1117 **property existing as of the date of value and the use of the property reflected**
1118 **in the appraisal;**

1119 Comment: In the context of personal property, value can be a function of
1120 the current and alternative use of the subject property, the choice of the
1121 appropriate market or market level for the type of item, the type and
1122 definition of value, and intended use of the report.

1123 (x) **when an opinion of the appropriate market or market level was developed by**
1124 **the appraiser, state that opinion;**

1125 (xi) **clearly and conspicuously:**

- 1126 • **state all extraordinary assumptions and hypothetical**
- 1127 **conditions; and**
- 1128 • **state that their use might have affected the assignment results;**
- 1129 **and**

1130 (xii) **include a signed certification in accordance with Standards Rule 8-3.**

Section 7: Standards Rule 8-3

RATIONALE

The ASB is reviewing Standard Rule 8-3. As currently written, when appraisers of multiple personal property specialties collaborate in a personal property assignment, each appraiser signing the certification is responsible for all aspects of the appraisal.

This is contrary to current practice and could be misleading or confusing to the clients and users of personal property appraisers.

In this exposure draft, the ASB is proposing the addition of clarifying language to the Comment to Standard Rule 8-3. This would allow personal property appraisers to sign the certification in an assignment involving different types of items without making them accountable for the assignment results of items they did not appraise. The comment also adds a reporting requirement that discloses the role each appraiser has in the assignment.

In an assignment of this type, as it is likely that the appraisers are not competent to appraise items outside of their specialty, this change will foster public trust in personal property appraisals.

The proposed addition to the Comment to Standards Rule 8-3 follows.

1131 **Standards Rule 8-3**

1132 **Each written personal property appraisal report must contain a signed certification that is**
1133 **similar in content to the following form:**

1134 **I certify that, to the best of my knowledge and belief:**

- 1135 — **the statements of fact contained in this report are true and correct.**
- 1136 — **the reported analyses, opinions, and conclusions are limited only by the**
- 1137 **reported assumptions and limiting conditions and are my personal,**
- 1138 **impartial, and unbiased professional analyses, opinions, and conclusions.**
- 1139 — **I have no (or the specified) present or prospective interest in the property**
- 1140 **that is the subject of this report and no (or the specified) personal interest**
- 1141 **with respect to the parties involved.**
- 1142 — **I have performed no (or the specified) services, as an appraiser or in any**
- 1143 **other capacity, regarding the property that is the subject of this report**
- 1144 **within the three-year period immediately preceding acceptance of this**
- 1145 **assignment.**
- 1146 — **I have no bias with respect to the property that is the subject of this report**
- 1147 **or to the parties involved with this assignment.**
- 1148 — **my engagement in this assignment was not contingent upon developing or**
- 1149 **reporting predetermined results.**

- 1150 — **my compensation for completing this assignment is not contingent upon the**
1151 **development or reporting of a predetermined value or direction in value**
1152 **that favors the cause of the client, the amount of the value opinion, the**
1153 **attainment of a stipulated result, or the occurrence of a subsequent event**
1154 **directly related to the intended use of this appraisal.**
1155 — **my analyses, opinions, and conclusions were developed, and this report has**
1156 **been prepared, in conformity with the *Uniform Standards of Professional***
1157 ***Appraisal Practice.***
1158 — **I have (or have not) made a personal inspection of the property that is the**
1159 **subject of this report. (If more than one person signs this certification, the**
1160 **certification must clearly specify which individuals did and which**
1161 **individuals did not make a personal inspection of the appraised property.)**
1162 — **no one provided significant personal property appraisal assistance to the**
1163 **person signing this certification. (If there are exceptions, the name of each**
1164 **individual providing significant personal property appraisal assistance**
1165 **must be stated.)**

1166 Comment: A signed certification is an integral part of the appraisal report. An
1167 appraiser who signs any part of the appraisal report, including a letter of
1168 transmittal, must also sign this certification. In an assignment that includes only
1169 assignment results developed by the personal property appraiser(s) from the same
1170 personal property specialty, any appraiser(s) who signs a certification accepts full
1171 responsibility for all elements of the certification, for the assignment results, and
1172 for the contents of the appraisal report. In an assignment involving appraisers with
1173 expertise in different personal property specialties (e.g., antiques, fine art,
1174 machinery and equipment), an appraiser who signs the certification may accept
1175 responsibility only for the elements of the certification, assignment results, and
1176 report contents specific to the appraiser's discipline. When appraisers from
1177 different personal property specialties sign the certification, the role of each
1178 appraiser signing the certification must be stated in the report.

1179 In an assignment that includes real property, business or intangible asset
1180 assignment results not developed by the personal property appraiser(s), any
1181 personal property appraiser(s) who signs a certification accepts full responsibility
1182 for the personal property elements of the certification, for the personal property
1183 assignment results, and for the personal property contents of the appraisal report.

1184 When a signing appraiser(s) has relied on work done by appraisers and others
1185 who do not sign the certification, the signing appraiser is responsible for the
1186 decision to rely on their work. The signing appraiser(s) is required to have a
1187 reasonable basis for believing that those individuals performing the work are
1188 competent. The signing appraiser(s) also must have no reason to doubt that the
1189 work of those individuals is credible.

1190 The names of individuals providing significant personal property appraisal
1191 assistance who do not sign a certification must be stated in the certification. It is
1192 not required that the description of their assistance be contained in the
1193 certification, but disclosure of their assistance is required in accordance with
1194 Standards Rule 8-2(a)(vii) or 8-2(b)(vii) as applicable.

Section 8 Advisory Opinion 37, Computer Assisted Valuation Tools

RATIONALE

Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)*, was adopted by the ASB in 1997 and first appeared in the 1998 edition of USPAP. It was added to provide guidance in the application of AVM software. AVMs enabled real property appraisers to analyze large pools of sales data in ways that were previously not practical. Today, not only are there newer and more advanced valuation tools, but AVMs themselves have evolved in ways that make much of AO-18 obsolete.

In an effort to keep its guidance current, the ASB is proposing retiring AO-18, and replacing it with Advisory Opinion 37, *Computer Assisted Valuation Tools*. AO-37 is intended to provide guidance in the use of computer assisted valuation tools now used by appraisers. The ASB has intentionally tried to keep the advice as broad as possible, in anticipation that additional new tools are likely to be developed in the future.

1195 **ADVISORY OPINION 37 (AO-37)**

1196 *This communication by the Appraisal Standards Board (ASB) does not establish new standards*
1197 *or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
1198 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
1199 *appraisal issues and problems.*

1200 **SUBJECT: Computer Assisted Valuation Tools**

1201 **APPLICATION: Real Property**

1202 **THE ISSUE:**

1203 Appraisers typically rely upon market data as the basis for their opinions and conclusions. This
1204 data is used by appraisers to analyze and report on market trend information (e.g., median sale
1205 prices, rent trends, marketing time, etc.), the impact different features have on their subject's
1206 value (i.e., appropriate adjustments), and even market value itself (e.g., using sales of vacant land
1207 to develop a value per acre of their subject site).

1208 Appraisers have access to technology that enables them to automate some aspects of the
1209 appraisal process. They can generate information that once had to be calculated by hand. The
1210 information generated by this technology can enable appraisers to produce appraisals and
1211 appraisal reviews with greater credibility, but its misuse can have the opposite effect. What steps
1212 should an appraiser take to comply with USPAP when using information generated by these
1213 types of resources?

1214 **BACKGROUND:**

1215 This Advisory Opinion addresses an appraiser’s obligations when relying upon values, prices,
1216 adjustments, trends, or other information generated by software or various online services.
1217 Examples of these tools include:

1218 • Automated Valuation Models (AVM): These provide real estate property value estimates
1219 using mathematical modeling combined with a large database. Although these services
1220 are now available directly to consumers on the Internet, some services provide data useful
1221 to appraisers.

1222 • Regression Analysis Tools: Regression analysis is a statistical process used for
1223 determining relationships among variables. For example, an appraiser may wish to
1224 determine if the market recognizes a relationship between the size of a property and its
1225 price per square foot.

1226 • Multiple Listing Services: These services publish listings of properties for sale in a given
1227 marketplace. Typically, these services can provide subscribers with an analysis of past
1228 sale trends, such as average prices, sales volume, days on market, etc.

1229 These are only examples; there are numerous others. The analytical methods the appraiser relies
1230 upon may be different from assignment to assignment. These types of analytical tools are distinct
1231 from discounted cash flow tools¹ and related technology in that these contain a database used to
1232 answer specific requests for information. The appraiser must be able to support the chosen
1233 parameters that are used as inputs to the tool.

1234 Stand-alone software or various online services can be useful tools that allow appraisers to
1235 enhance their appraisals. Some residential lenders are increasingly requiring appraisers to
1236 provide additional support for their adjustments. Appraisers sometimes meet this request by
1237 providing a regression analysis. There are software packages available to appraisers that make
1238 this analysis relatively simple. Some residential form-filling software vendors include this
1239 function as an integral part of their product.

1240 For example, since 2009, Freddie Mac and Fannie Mae have required that appraisal reports
1241 include a completed Market Conditions Addendum (Freddie Mac Form 71 / Fannie Mae Form
1242 1004MC). The instructions, read, in part:

1243 “The appraiser must use the information required on this form as the basis for his/her
1244 conclusions, and must provide support for those conclusions, regarding housing trends
1245 and overall market conditions as reported in the Neighborhood section of the appraisal
1246 report form.”

1247 Many modern Multiple Listing Services now have integrated analytical tools to accommodate
1248 the needs of their appraiser members in preparing this form.

¹ See Advisory Opinion 33, *Discounted Cash Flow Analysis*

1249 Trend analysis, regression analysis, matched pair analysis, graphing, highest and best use
1250 analysis, and automatic cost approach calculations are examples of tasks which can be less
1251 cumbersome with the advancements in computer software.

1252 **ADVICE FROM THE ASB ON THE ISSUE:**

1253 The COMPETENCY RULE specifically states that competency may apply to an analytical
1254 method. Technology that performs various statistical analyses is simple to use but still requires
1255 some degree of competence. The instructions to Form 71/1004MC read:

1256 “Sales and listings must be properties that compete with the subject property, determined
1257 by applying the criteria that would be used by a prospective buyer of the subject
1258 property.”

1259 Standards Rule 1-1(b) states that the appraiser must not commit a substantial error of omission or
1260 commission that significantly affects an appraisal. When using computer assisted valuation tools,
1261 the appraiser is responsible both for selecting the appropriate input parameters and also for being
1262 proficient in the use of the technology to ensure the correct input of those parameters. If either of
1263 these criteria is not met, the information provided may not provide credible results. Depending
1264 on how the appraiser relies upon this data, inappropriate information may impact the results of
1265 the assignment.

1266 Appraisers must also have at least a basic understanding of statistical analysis. A calculation of
1267 both the mean (average) and median of a given data set typically yield different results. Either
1268 may be appropriate for use but it is the appraiser’s responsibility to make that determination.
1269 Proper application of these results must also be consistent. For example, it would not be
1270 appropriate to compare the mean sale price of office space in one year to the median sale price of
1271 office space from a different year. Likewise, an appraiser should not employ terminology (e.g.,
1272 standard deviation, coefficient of variation, etc.) without understanding what that terminology
1273 means.

1274 Regression analysis is based upon complex calculations. An appraiser need not be able to
1275 duplicate those calculations, but must understand how to use the results. He or she must be able
1276 to recognize a graph that shows a strong relationship between the variables and one that does not.
1277 Reliance on a weak correlation of the data will directly impact the credibility of the conclusion
1278 drawn using that information.

1279 Much like data obtained from a Multiple Listing Service, the appraiser must also be aware of
1280 what information is used as the input and how to properly apply the output. A regression analysis
1281 that correlates the sale prices per acre of land sales to the size of each lot may either be based
1282 upon the unadjusted or adjusted sale prices. If unadjusted, the appraiser may need to perform
1283 additional analysis before applying the result to the subject.

1284 Automated Valuation Models (AVM) are somewhat different than other data analysis tools in
1285 that the output is specific to a single property. Although an AVM does provide a value estimate,

1286 that output is not, by itself, an appraisal. An AVM's output may become a basis for appraisal or
1287 appraisal review if the appraiser believes the output to be credible for use in a specific
1288 assignment. In this case, the appraiser must exercise care to ensure compliance with
1289 STANDARD 1 and STANDARD 2.

1290 An appraiser can use an AVM as a tool in the development of an appraisal or appraisal review.
1291 However, the appropriate use of an AVM is, like any tool, dependent upon the skill of the user
1292 and the tool's suitability to the task at hand.

1293 When using any of these analytical tools, the appraiser is responsible for the accuracy of the
1294 results. Thus, the appraiser must have confidence that the technology uses data that is relevant
1295 and that the output is mathematically correct and sufficiently reliable for use in the assignment.

1296 Regardless of the tool chosen, the appraiser is responsible for the entire analysis including the
1297 controlling input, the calculations, and the resulting output. An appraiser should use sufficient
1298 care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence
1299 is required to identify and analyze the factors, conditions, data, and other information that would
1300 have a significant effect on the credibility of the assignment results.

1301 Through the use of technology a fully documented workfile can be created in a few minutes.
1302 While it may not always be necessary to include any charts, lists, graphs, etc. the tools generate,
1303 doing so may be required by Standards Rule 2-2(a)(viii), which stipulates, in part:

1304 *The content of an Appraisal Report must be consistent with the intended use of the*
1305 *appraisal and, at a minimum: summarize the information analyzed, the appraisal*
1306 *methods and techniques employed, and the reasoning that supports the analyses,*
1307 *opinions, and conclusions.*

1308 Likewise, the RECORD KEEPING RULE requires that the workfile include:

1309 *...all other data, information, and documentation necessary to support the appraiser's*
1310 *opinions and conclusions and to show compliance with USPAP, or references to the*
1311 *location(s) of such other data, information, and documentation.*

1312 **SUMMARY:**

- 1313 • The information generated by these types of valuation tools is merely a calculation that
1314 once had to be calculated by hand. It is not a substitute for an appraiser's judgment.
- 1315 • A number of intended users and intended uses now require reporting of additional and
1316 more specific data, which, until now, would have been prohibitively difficult for an
1317 appraiser to provide in the routine course of business.
- 1318 • Appraisers may find analytic tools useful for supporting their adjustments.

- 1319 • Regardless of the tool chosen, the appraiser is responsible for the entire analysis
1320 including the controlling input, the calculations, and the resulting output.
- 1321 • It is the responsibility of the appraiser to ensure that the input parameters are appropriate.
- 1322 • Appraisers must be proficient in the use of their chosen technology to ensure that they
1323 have correctly selected and input appropriate parameters.
- 1324 • If the appropriate parameters are not correctly entered into the program, the information
1325 provided may not either meet the needs of the assignment or provide credible results.
- 1326 • Reliance upon inappropriate information may create assignment results that are not
1327 credible.
- 1328 • Appraisers must have a basic understanding of statistical analysis and not employ
1329 terminology and/or methodology with which they are not familiar.
- 1330 • Automated Valuation Models generate output specific to a single property.
- 1331 • An AVM's output may become a basis for an appraisal or appraisal review if the
1332 appraiser believes the output to be credible for use in that assignment.
- 1333 • An appraiser must exercise care to ensure compliance with STANDARDS 1 and 2 and
1334 the RECORD KEEPING RULE, if the output is used for an assignment result.

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee
Federal Financial Institutions Examination Council

June 28, 2016

Mr. Robert D. Charlton, Superintendent
AZ Department of Financial Institutions
Real Estate Appraisal Division
2910 N. 44th Street, Suite 310,
Phoenix, AZ 85018

RE: ASC Compliance Review of Arizona's Appraiser Regulatory Program

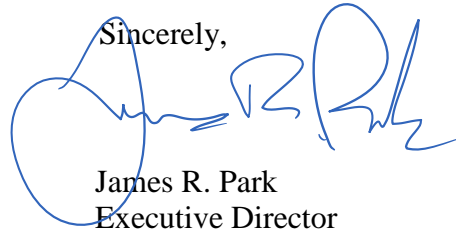
Dear Mr. Charlton:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arizona appraiser regulatory program (Program) on June 7-8, 2016, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Program has been awarded an ASC Finding of "Excellent." Arizona will remain on a two-year Review Cycle. The final ASC Compliance Review Report (Report) is attached.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,

A handwritten signature in blue ink, appearing to read "James R. Park".

James R. Park
Executive Director

Attachment
cc: Debra Rudd, Division Manager

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor ¹	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

¹ An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Excellent

Final Report Issue Date: June 28, 2016

Arizona Appraiser Regulatory Program (State)

Board: N/A

PM: N. Fenochietti

ASC Compliance Review Date: June 7-8, 2016

Review Period: April 2014 to June 2016

Umbrella Agency: Arizona Department of Financial Institutions (Department)

Number of State Credentialed Appraisers on National Registry: 2,045

Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:	X			No compliance issues noted.	N/A	None	None
Temporary Practice:	X			No compliance issues noted.	N/A	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None
Application Process:	X			No compliance issues noted.	N/A	None	None
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None
				No compliance issues noted.	N/A	None	None

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 26, 2016

Mr. Lee Gordon, Executive Director
Arkansas Appraiser Licensing and Certification Board
101 E. Capitol, Suite 430
Little Rock, AR 72201

RE: ASC Compliance Review of Arkansas' Appraiser Regulatory Program

Dear Mr. Gordon:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Arkansas appraiser regulatory program (Program) on March 1-3, 2016, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

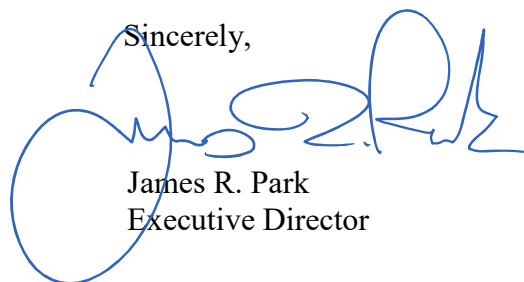
The ASC identified the following area of non-compliance:

- States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Arkansas will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,



James R. Park
Executive Director

Attachment
cc: Mr. Pete Prutzman, Chair

¹ 12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor ²	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

² An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Good
Final Report Issue Date: May 26, 2016

Arkansas Appraiser Regulatory Program (State)		
Arkansas Appraiser Licensing and Certification Board (Board) / Decision Making	PM: C. Brooks	ASC Compliance Review Date: March 1-3, 2016
Umbrella Agency: Independent	Number of State Credentialed Appraisers on National Registry: 810	Review Period: March 2014 - March 2016
		Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:		X					
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				<p>A review of the State's Regulations revealed the following inconsistencies with the AQB Criteria regarding: (1) reactivation of an appraiser credential; and (2) Trainee requirements.</p> <p>Prior to reactivation, a credential holder in an inactive status must complete all required continuing education (CE) hours that would have been required if the credential holder had been in active status, including the most recent 7-hour National USPAP course. Regulation IX E. only requires any appraiser who has been inactive for more than 3 years must show evidence of having taken the most recent 7-hour National USPAP update course during the preceding year in addition to other CE requirements.</p> <p>AQB Criteria requires appraiser trainees to be subject to direct supervision by a supervisory appraiser who shall be State certified. Regulation XI specifies that a Trainee is not required to be supervised for assignments which are not federally-related transactions.</p>	On May 4, 2016, the State reported that the rules for reactivation and Trainee supervision will be revised to be consistent with AQB Criteria.	The State must amend its regulation to bring it into compliance with AQB Criteria. A copy of the regulation should be provided to ASC staff once adopted.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 1.
Temporary Practice:	X			No compliance issues noted.	N/A	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None
Application Process:	X			No compliance issues noted.	N/A	None	None
Reciprocity:	X			No compliance issues noted.	N/A	None	None
Education:	X			No compliance issues noted.	N/A	None	None
Enforcement:	X			No compliance issues noted.	N/A	None	None

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

May 31, 2016

Mr. Bruce Unangst, Executive Director
Louisiana Real Estate Appraisers Board
P O Box 14785
Baton Rouge, LA 70898-4785

RE: ASC Compliance Review of Louisiana's Appraiser Regulatory Program

Dear Mr. Unangst:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of the Louisiana appraiser regulatory program (Program) on February 2-4, 2016, to determine the Program's compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended.

The ASC considered the preliminary results of the Review and the State's response to those results. The Program has been awarded an ASC Finding of "Good." The final ASC Compliance Review Report (Report) is attached.

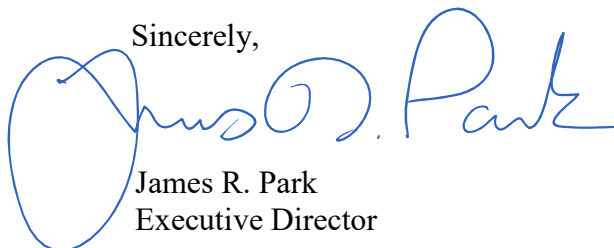
The ASC identified the following area of non-compliance:

- States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.¹

ASC staff will confirm that appropriate corrective actions have been taken during the next Review. Louisiana will remain on a two-year Review Cycle.

This letter and the attached Report are public records and available on the ASC website. Please contact us if you have any questions about this Report.

Sincerely,



James R. Park
Executive Director

Attachment

cc: Ms. Summer Mire, Confidential Assistant;
Ms. Anne Brassett, Program Administrator

¹ 12 U.S.C. § 3347; Policy Statement 4.

ASC Finding Descriptions

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	2-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	2-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	1-year
Poor ²	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	Continuous monitoring

*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

² An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

ASC Compliance Review Report

ASC Finding: Good

Final Report Issue Date: May 31, 2016

Louisiana Appraiser Regulatory Program (State)			
Louisiana Real Estate Appraisers Board (Board) / Decision Making	PM: N. Fenochietti	ASC Compliance Review Date: February 02-04, 2016	Review Period: February 2014 to February 2016
Umbrella Agency: Real Estate Commission		Number of State Credentialed Appraisers on National Registry: 1,336	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Statutes, Regulations, Policies and Procedures:			X				
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				Supervisory Appraisers are required to be state-certified and in "good standing" in the jurisdiction in which the Trainee Appraiser practices for a period of at least three (3) years. The Supervisory Appraiser requirements set forth in Louisiana Revised Statute 37:3397 does not require the Supervisory Appraiser to be in "good standing" in the jurisdiction in which the Trainee Appraiser practices.	On May 12, 2016, the State reported that subsequent to the Compliance Review, legislation amending the statute to bring it into compliance with AQB Criteria was approved and has been delivered to the Governor for signature.	To strengthen the Program, the State should continue the process of amending its statute consistent with AQB Criteria.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.
Statutes, Regulations, Policies and Procedures continued:			X				
States must, at a minimum, adopt and/or implement all relevant AQB Criteria. (12 U.S.C. § 3345; 12 U.S.C. § 3347; Policy Statement 1 C, D.)				Experience must comply with USPAP and may be gained under more than one version of USPAP. Louisiana Rules 46:10308.C.1. requires appraiser trainees' work product be supervised in accordance with the guidelines and requirements of the 2014-2015 USPAP. L.R. 46:10309.C. requires that only 2014-2015 compliant appraisals will be accepted by the board for experience credit.	On May12, 2016, the State reported that they sent the final Rules for promulgation and they should become effective June 20, 2016.	To strengthen the Program, the State should continue the process of amending its Rules consistent with AQB Criteria.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with AQB Criteria.
Temporary Practice:	X			No compliance issues noted.	N/A	None	None
National Registry:	X			No compliance issues noted.	N/A	None	None
Application Process:		X					
States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement. (12 U.S.C. § 3347; Policy Statement 4.)				An appraiser credential was reactivated without completion of the requisite number of continuing education (CE) hours.	On May 12, 2016, the State reported that the credential holder has registered and paid for the additional courses required for reactivation. The courses are scheduled for completion on July 1, 2016.	The State must ensure that the applicant Completes the additional CE hours required for reactivation.	During the next Compliance Review, ASC staff will pay particular attention to this area for compliance with Title XI and ASC Policy Statement 4.

ASC Compliance Review Report

ASC Finding: Good

Final Report Issue Date: May 31, 2016

Louisiana Appraiser Regulatory Program (State)			
Louisiana Real Estate Appraisers Board (Board) / Decision Making	PM: N. Fenochietti	ASC Compliance Review Date: February 02-04, 2016	Review Period: February 2014 to February 2016
Umbrella Agency: Real Estate Commission		Number of State Credentialed Appraisers on National Registry: 1,336	Review Cycle: Two Year

Applicable Federal Citations	Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required/Recommended State Actions	General Comments
	YES	NO	AC				
Reciprocity:	X						
				No compliance issues noted.	N/A	None	None
Education:	X						
				No compliance issues noted.	N/A	None	None
Enforcement:	X						
				No compliance issues noted.	N/A	None	None

State Program Summary Report

State or Territory	AL	AK	AZ	AR	CA	CO	CT	DE	DC	FL	GA	GU	HI	
Review Year	2016	2015	2016	2016	2014	2014	2014	2015	2015	2015	2016	2015	2015	
Review Month	Jan	Jul	Jun	Mar	Oct	Sep	Jul	Jan	Mar	Feb	Mar	Nov	Dec	
ASC Finding	Good	Good	Excel	Good	Good	Excel	Good	Good	Good	Good	Excel	Good	Good	
Review Cycle Assigned (in years)	2	2	2	2	2	2	2	2	2	2	2	2	2	
Required State Actions or Off Site Monitoring														
Follow-Up (in months)														
Out of Compliance (OC) Area of Concern (AC)	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	
Statutes, Regulations, Policies and Procedures: Temporary Practice:		1	1			1		1	1			2	1	2
National Registry:									1					
Application Process:							1	1				1		
Reciprocity:						1				1		1		
Education:							1	1						
Enforcement		1				1	2	2				1		
TOTAL OUT OF COMPLIANCE	-	1	-	1	2	-	1	1	-	-	-	2	2	
TOTAL AREA OF CONCERN	2	-	-	-	3	-	4	4	2	2	-	4	-	
Last Review Finding	Good (2014)	Not Sat (2014)	Excel (2014)	Good (2014)	NISC (2012)	ISC (2012)	ISC (2012)	NISC (2013)	NISC (2013)	ISC (2013)	Needs Imp (2014)	Needs Imp (2013)	Good (2013)	
Previous Review Finding	NISC (2012)	NISC (2013)	NISC (2012)	NISC (2012)	NISC (2010)	ISC (2010)	ISC (2010)	ISC (2011)	ISC (2011)	NISC (2011)	ISC (2012)	ISC (2007)	NISC (2011)	
FTE	6.3	0.57	3.6	2.9	32.9	9	1.45	0.55	0.9	9.5	5.4	0.14	0.95	
Independent or Under Umbrella (I/UU)	I	UU	UU	I	UU	UU	UU	UU	UU	UU	I	UU	UU	
Board Type	Decision	Decision	None	Decision	None	Decision	Decision	Decision	Decision	Decision	Decision	None	Advisory	
# Credentials on National Registry	1,310	246	2,045	815	11,101	2,676	1,294	599	704	6,832	3,445	21	520	
# Trainees	113	18	75	142	773	n/a	91	41	40	615	20	3	n/a	
Complaints Received in Review Cycle	57	11	206	68	661	273	100	21	11	482	178	0	21	
Complaints Outstanding	24	2	20	7	134	44	25	5	4	103	51	0	3	
Complaints Outstanding Over 1 Year	4	0	0	0	17	0	1	2	0	0	0	0	0	
Special Documented Circumstances	0	0	0	1	5	11	0	0	1	3	4	0	N/A	
AMC Laws and Regulations	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	

Legend: NISC = Not in Substantial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	ID	IL	IN	IA	KS	KY	LA	ME	CNMI	MD	MA	MI	MN
Review Year	2015	2015	2015	2015	2015	2015	2016	2015	2015	2014	2014	2014	2014
Review Month	Apr	Sep	Feb	Jul	Oct	Mar	Feb	Jun	Nov	Apr	Jun	Sep	Jul
ASC Finding	Good	Needs Imp	Needs Imp	Excel	Excel	Excel	Good	Good	Needs Imp	Good	Needs Imp	Good	Good
Review Cycle Assigned (in years)	2	2	2	2	2	2	2	2		2		2	2
Required State Actions or Off Site Monitoring		Yes	Yes						Yes		Yes		
Follow-Up (in months)													
Out of Compliance (OC) Area of Concern (AC)	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC
Statutes, Regulations, Policies and Procedures:		1					2		2	1		1	
Temporary Practice:			1										
National Registry:		2	3										
Application Process:	1		1				1	1	1		1		1
Reciprocity:										1			
Education:												1	
Enforcement		1							1	1	1	1	
TOTAL OUT OF COMPLIANCE	-	2	2	-	-	-	1	-	2	1	2	2	-
TOTAL AREA OF CONCERN	1	2	3	-	-	-	2	1	2	2	1	2	1
Last Review Finding	NISC (2013)	Needs Imp (2013)	ISC (2013)	Excel (2013)	Excel (2013)	ISC (2013)	Good (2014)	Excel (2013)	Needs Imp (2013)	NISC (2012)	NISC (2012)	NISC (2012)	NISC (2012)
Previous Review Finding	NISC (2011)	NIC (2011)	NISC (2011)	ISC (2011)	NISC (2011)	ISC (2011)	NISC (2012)	ISC (2011)	ISC (2007)	NISC (2010)	NISC (2010)	NISC (2010)	ISC (2010)
FTE	0.1	2.8	1.8	0.85	2	3.45	3.3	1.5	0.3	3.5	5.45	4.37	2.6
Independent or Under Umbrella (I/UU)	UU	UU	UU	UU	I	Indep.	UU	UU	UU	UU	UU	UU	UU
Board Type	Decision	Advisory	Decision	Decision	Decision	Decision	Decision	Decision	Decision	Decision	Decision	Decision - Enf	None
# Credentials on National Registry	699	4,046	2,155	1,095	993	1,397	1,337	563	9	2,364	2,084	2,671	2,093
# Trainees	35	548	127	115	11	203	159	29	0	252	322	369	312
Complaints Received in Review Cycle	46	429	127	57	31	105	33	70	0	168	309	396	442
Complaints Outstanding	13	119	66	7	7	23	4	17	0	33	77	71	66
Complaints Outstanding Over 1 Year	2	34	7	0	0	0	0	0	0	5	29	9	5
Special Documented Circumstances	0	1	0	0	1	2	0	0	0	2	7	2	5
AMC Laws and Regulations	No	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes

Legend: NISC = Not in Substantial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	MS	MO	MT	NE	NV	NH	NJ	NM	NY	NC	ND	OH
Review Year	2015	2014	2015	2015	2014	2015	2014	2015	2015	2014	2014	2015
Review Month	Jun	Jun	Sep	Mar	May	May	Sep	Apr	Aug	Nov	Jun	Aug
ASC Finding	Needs Imp	Good	Good	Good	Good	Excel	Needs Imp	Good	Needs Imp	Excel	Good	Excel
Review Cycle Assigned (in years)	2	2	2	2	2	2	2	2	2	2	2	2
Required State Actions or Off Site Monitoring	Yes						Yes		Yes			
Follow-Up (in months)												
Out of Compliance (OC) Area of Concern (AC)	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC	OC AC
Statutes, Regulations, Policies and Procedures:												
Temporary Practice:		4		1			3	1	1			
National Registry:									1	1		
Application Process:	1								2		1	2
Reciprocity:					1		1					1
Education:								1				
Enforcement				1			1		1			1
TOTAL OUT OF COMPLIANCE	1	-	-	-	1	-	4	1	1	-	2	-
TOTAL AREA OF CONCERN	4	1	1	4	4	-	2	-	3	-	2	-
Last Review Finding	ISC (2013)	NISC (2012)	Needs Imp (2013)	Good (2013)	NISC (2012)	Good (2013)	NISC (2012)	Good (2013)	Needs Imp (2013)	ISC (2012)	ISC (2012)	Good (2013)
Previous Review Finding	ISC (2011)	NISC (2010)	NISC (2012)	ISC (2011)	NISC (2010)	ISC (2011)	NISC (2010)	NISC (2009)	NISC (2011)	ISC (2010)	ISC (2010)	ISC (2011)
FTE	3.33	2.2	2.7	1.6	2.9	2.4	6.5	3.95	5.5	10	2	8.85
Independent or Under Umbrella (I/UU)	UU	UU	UU	I	UU	UU	UU	UU	UU	I	I	UU
Board Type	Decision	Decision	Decision	Decision	Decision	Decision	Decision	Decision	Reg. Decision	Decision	Decision	Decision
# Credentials on National Registry	1,111	2,375	371	657	1,043	782	2,772	618	4,063	3,127	290	3,061
# Trainees	53	281	24	54	55	17	128	84	451	404	48	318
Complaints Received in Review Cycle	73	124	119	31	81	22	146	41	127	272	17	253
Complaints Outstanding	8	30	22	9	37	1	41	15	50	55	9	69
Complaints Outstanding Over 1 Year	0	2	3	0	2	0	7	0	1	3	2	1
Special Documented Circumstances	2	9	7	5	2	0	6	3	2	0	0	8
AMC Laws and Regulations	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	No

Legend: NISC = Not in Substantial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	OK		OR		PA		PR		RI		SC		SD		TN		TX		UT		VT		VI	
Review Year	2015		2014		2014		2015		2015		2015		2014		2015		2016		2015		2014		2014	
Review Month	Oct		Jul		May		Dec		Oct		May		Aug		Jan		Feb		May		Aug		Nov	
ASC Finding	Good		Good		Needs Imp		Good		Needs Imp		Needs Imp		Good		Excel		Excel		Good		Good		Needs Imp	
Review Cycle Assigned (in years)	2		2		2		2		2		2		2		2		2		2		2		2	
Required State Actions or Off Site Monitoring					Yes				Yes		Yes												Yes	
Follow-Up (in months)																							12	
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC
Statutes, Regulations, Policies and Procedures:	1					1		1			1		1										3	1
Temporary Practice:																							1	
National Registry:																							1	
Application Process:				1				1	1			3												2
Reciprocity:						1								1										1
Education:																								
Enforcement			1		1							1								1				1
TOTAL OUT OF COMPLIANCE	1		1		1		-		1		4		1		-		-		-		-		5	
TOTAL AREA OF CONCERN	-		1		2		2		-		1		1		-		-		1		1		4	
Last Review Finding	Excel (2013)	ISC (2012)	NISC (2012)	Good(2013)	Good (2013)	ISC (2013)	ISC (2012)	ISC (2013)	Good (2014)	NISC (2013)	NISC (2012)	NISC (2012)												
Previous Review Finding	ISC (2011)	ISC (2010)	NISC (2010)	ISC (2012)	ISC (2011)	ISC (2011)	ISC (2010)	ISC (2011)	NISC (2012)	NISC (2011)	NISC (2010)	NISC (2010)												
FTE	3.75	4.1	2	0.2	1.05	2.8	2.2	4.75	11.9	4.95	0.26	1												
Independent or Under Umbrella (I/UU)	I - adjunct	I	UU	UU	UU	UU	UU	UU	UU	UU	UU	UU												
Board Type	Decision	Decision	Decision	Decision	Decision	Decision	Advisory	Decision	Decision	Decision	Decision	Decision												
# Credentials on National Registry	990	1,494	3,311	382	462	2,129	346	1,886	5,246	1,246	292	23												
# Trainees	83	80	432	n/a	29	132	67	225	787	85	20	n/a												
Complaints Received in Review Cycle	108	137	410	9	6	99	26	109	484	134	20	2												
Complaints Outstanding	39	45	102	3	0	21	9	22	155	52	10	3												
Complaints Outstanding Over 1 Year	0	10	35	0	0	7	1	1	0	6	1	1												
Special Documented Circumstances	0	1	9	0	0	0	2	1	6	16	1	1												
AMC Laws and Regulations	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	No												

Legend: NISC = Not in Substantial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

State Program Summary Report

State or Territory	VA		WA		WV		WI		WY			
Review Year	2015		2014		2014		2015		2015		# Excel	12
Review Month	Aug		Aug		Dec		Jun		Sep		# Good	30
ASC Finding	Needs Imp		Excel		Needs Imp		Good		Good		# Needs Imp	13
Review Cycle Assigned (in years)	2		2		2		2		2		# Not Sat	0
Required State Actions or Off Site Monitoring	Yes				Yes						# Poor	0
Follow-Up (in months)	6											
Out of Compliance (OC) Area of Concern (AC)	OC	AC	OC	AC	OC	AC	OC	AC	OC	AC	OC TOTAL	AC TOTAL
Statutes, Regulations, Policies and Procedures:						2			1	1	23	27
Temporary Practice:											2	2
National Registry:											0	10
Application Process:	1	1						1		1	14	13
Reciprocity:											0	10
Education:											1	3
Enforcement	1	1			2		1				12	14
TOTAL OUT OF COMPLIANCE	2		-		2		1		1		52	
TOTAL AREA OF CONCERN	2		-		2		1		2			79
Last Review Finding	ISC (2013)	NISC (2012)	NISC (2012)	Needs Imp (2013)		Good (2013)						
Previous Review Finding	ISC (2011)	NISC (2010)	ISC (2010)	NISC (2011)	NISC (2011)		NISC (2011)					
FTE	1.75	6.33	2.55	3.35	1.42							
Independent or Under Umbrella (I/UU)	UU	UU	I	UU	UU							
Board Type	Decision	Advisory	Decision	Decision	Decision							
# Credentials on National Registry	3,387	2,723	571	2,162	337							
# Trainees	71	243	36	n/a	23							
Complaints Received in Review Cycle	190	226	36	134	8							
Complaints Outstanding	41	58	11	91	4							
Complaints Outstanding Over 1 Year	2	8	2	51	0							
Special Documented Circumstances	0	5	2	0	0							
AMC Laws and Regulations	Yes	Yes	Yes	No	Yes							

Legend: NISC = Not in Substantial Compliance; ISC = In Substantial Compliance; NIC = Not in Compliance; Excel = Excellent; Needs Imp = Needs Improvement; Not Sat = Not Satisfactory

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
MARCH 9, 2016**

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD – Ada Bohorfoush
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Dan Rhoads
Policy Manager – Claire Brooks
Policy Manager – Neal Fenochietti
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Administrative Assistant – Maria Cahn

OBSERVERS: AARO – Larry Disney
Appraisal Foundation – Dave Bunton
Appraisal Foundation – Cathy Johnson
Appraisal Institute – Brian Rodgers
FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Marianne Hatheway
FDIC – Kim Stock
Forsythe Appraisals - Alan Hummel
FRB – Carmen Holly
FRB - Matt Suntag
HUD – Robert Frazier
Kelly Group – Don Kelly
NAR – Sehar Siddiqi

OCC – Chris Manthey
OCC- Kevin Lawton
OCC – Joanne Williams
Pro Teck Valuation Services – Jeff Dickstein
Stewart Valuation Services – Frank O’Neill

The Meeting was called to order at 10:10 a.m. by A. Lindo.

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting. He noted that the ASC is on track to meet its goals as stated in the FY16 Operating Plan.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC’s November 4th Meeting. He and D. Graves attended the Appraisal Standards Board (ASB) Meeting on November 19-20 in Cincinnati, OH and the Appraisal Foundation Board of Trustees Meeting in Tampa, FL on January 9th. J. Park also attended the Appraisal Practices Board Meeting in Las Vegas, NV on January 29th and the ASB Meeting in Tampa, FL on February 18-19th.

ASC staff met with representatives from the American Bankers Association, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Foundation to discuss the potential shortage of appraisers. Future meetings will be held to review appraiser demographics. The Appraiser Qualifications Board (AQB) will prepare a study on appraiser demographics with assistance from ASC staff. M. Marshall commented that if Home Mortgage Disclosure Act (HMDA) data is being reviewed to determine demographics, there may be incomplete data due to exemptions in reporting. J. Park acknowledged that HMDA data is being considered for the study.

The Unique Identifier program is being tested by several States and appears to be working well. Development of the appraisal management company (AMC) National Registry also continues and may be operational by early 2017, but this will depend in part on the final rulemaking for the AMC Registry fees.

- **Financial Manager**

G. Hull reported that the ASC’s FY15 audit has been completed. The ASC received a clean opinion with no findings, weaknesses (material or immaterial), compliance issues or internal control deficiencies. He noted that in FY15, 88.3% of the operating budget was expended. Actual revenue for FY15 was less than one percent under the estimated revenue. FY15 net reserves did decline from FY14 levels which is due to a decline in the total credentials on the National Registry. The cumulative net reserve balance at the end of FY15 was approximately \$4.7 million. He also said that the amount of funds sequestered in FY15 was \$256,712 which

was 7.3% of available cash receipts. For FY16, the sequestration percentage is 6.8% of available cash receipts.

Regarding the Appraisal Foundation FY16 grant which was \$350,000 for grant-eligible activities, the Foundation has submitted a request to reallocate certain AQB travel expenses associated with the *National Uniform Licensing and Certification Exam*. Originally three meetings had been included, but the consultant indicated that one meeting could be conducted via webinar. Therefore, the Foundation is proposing two meetings instead of three. ASC staff determined that the expense items associated with this request are grant eligible and additional funding is not required. ASC staff intends to approve this request with no action required by the ASC Board.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's November 4th Meeting. Six State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Kansas was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Hawaii, Montana, Oklahoma, Puerto Rico and Wyoming were awarded a finding of "Good" and each State will remain on a two-year Review Cycle.

Four State Compliance Reviews were finalized and approved by the Chairman under delegated authority. Illinois, New York, Rhode Island and Virginia were awarded a Finding of "Needs Improvement." Illinois, New York and Rhode Island will remain on a two-year Review Cycle. Virginia will remain on a two-year Review Cycle with a Follow-up Review.

ACTION ITEMS

- **November 4, 2015 Open Session Minutes**

A. Bohorfoush made a motion to approve the November 4th open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Appraisal Foundation Grant**

G. Hull reported that the Appraisal Foundation submitted a reimbursement request in the amount of \$21,734 to reprogram funds to other 2015 grant-eligible AQB expenses. The AQB and ASB had \$11,576 and \$10,158 in unused FY15 grant funds, respectively. These funds would be used to cover AQB psychometric consultant costs for the *National Uniform Licensing and Certification Exams*. ASC staff has reviewed the request and recommends approval in the amount requested. R. Taft moved to approve the reprogramming request in the amount of \$21,734. A. Bohorfoush seconded and all members present voted to approve.

- **Notice of Proposed Rulemaking (NPRM) on AMC Registry Fees**

A. Ritter reported that legal staff from the ASC member agencies reviewed the draft NPRM and provided comments. The NPRM proposes that States that elect to register and supervise AMCs would be required to collect and transmit annual AMC registry fees to the ASC. The rule would establish the annual AMC registry fee for States that elect to register and supervise AMCs as follows: (1) in the case of an AMC that has been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State during the previous year; and (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State since the AMC commenced doing business. The rule would require AMC registry fees to be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs. Only those AMCs whose registry fees have been transmitted to the ASC would be eligible to be on the AMC Registry for the 12-month period following the payment of the fee. A. Ritter added that ASC staff would like to publish the NPRM in the *Federal Register* in early April. R. Witt asked if “completed assignment” will be defined; A. Lindo suggested including it as a definition and to also request input from commenters. R. Taft asked if Federally-regulated AMCs in non-participating States would be included on the AMC Registry. A. Ritter responded that a proposed footnote would be an invitation for those AMCs to report directly to the ASC in that limited circumstance. R. Taft suggested to either keep the footnote or pose it as a question in the NPRM. A. Lindo said the ASC could ask the question in the NPRM but should also include a suggestion as to how the fee would be collected. A. Ritter agreed that the ASC does not have the authority to make this part of the rulemaking, but suggested it be addressed in the preamble as an option. A. Lindo noted that ASC members agree on the core elements of the NPRM but that some member agencies are still reviewing it. He said that the preamble text needs to be revised based on today’s discussion and would like a timeline for the NPRM approval in order to get it published in the *Federal Register*. He would like this completed before the ASC’s May 11th Meeting and suggested a notation vote be considered. A. Ritter said she would make the revisions as discussed at today’s Meeting and would send it to the ASC members and their legal staff for comment by March 11th. A. Lindo suggested two weeks for review with a notation vote by early April. A. Bohorfoush asked if it was acceptable to handle this by notation vote. A. Ritter responded that she is comfortable with a notation vote. She added that if substantive changes are made to the NPRM, a vote in an Open Meeting may be necessary. A. Lindo offered observers a chance to ask questions regarding the NPRM. D. Kelly asked if “covered transaction” would be defined in the NPRM. A. Ritter responded that this would be consistent with the definition in the agencies’ AMC Final Rule. J. Dickstein asked if the 12-month period would be outlined in the NPRM or will it be left to the States to define. A. Ritter said the States would have the flexibility to align a one-year period with any 12-month period, which may or may not be based on the calendar year.

The Open Session adjourned at 11:15 a.m. The next ASC Meeting will be May 11, 2016.

**APPRAISAL SUBCOMMITTEE
CLOSED SESSION MEETING MINUTES
MARCH 9, 2016**

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD – Ada Bohorfoush
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Dan Rhoads
Policy Manager – Claire Brooks
Policy Manager – Neal Fenochietti
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Administrative Assistant – Maria Cahn

OBSERVERS: FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Marianne Hatheway
FDIC – Kim Stock
FRB – Carmen Holly
FRB – Matt Suntatg
OCC – Kevin Lawton
OCC – Chris Manthey
OCC- Joanne Williams

The Meeting was called to order at 11:30 a.m. by A. Lindo.

- **ASC Chairman Term**

A. Lindo noted that his ASC Chairman term expires on March 31st. He said he is amenable to serving another two-year term. A. Lindo said if other members are interested in the position, to please let the FFIEC know by March 14th. The FFIEC will meet on March 29th and will make the appointment at that meeting.

- **State Preliminary Investigation**

A. Ritter said the ASC received a complaint from an attorney in Georgia against the Georgia appraiser regulatory agency (GREAB) and the company in Georgia that administers approved qualifying exams, AMP. The basis for the complaint is that the complainant, a licensed appraiser seeking to upgrade to a certified credential, did not meet the January 1, 2015 deadline to sit for the exam. As a result, he is now subject to the new Appraiser Qualifications Board (AQB) Criteria (AQB Criteria), which requires a college degree for a certified credential. The complaint includes a request that the ASC open a formal investigation pursuant to § 1102.38, *ASC Rules of Practice for Proceedings*. The complaint also seeks an order from the ASC requiring GREAB to grant a one-time exception to retroactively apply the 2014 Criteria for the complainant.

The AQB set a firm deadline of January 1, 2015, for the AQB Criteria to go into effect. The only exception for implementing the AQB Criteria was for applicants in the Reserve components called to active duty.

ASC staff conducted a preliminary investigation into the action taken by GREAB. GREAB asserts that this appraiser did have opportunities to sit for the exam at the end of December 2014, as there was availability at three different AMP exam sites. ASC staff recommends that a formal investigation not be commenced. V. Metcalf commented that GREAB's Deputy Director asked AMP if the appraiser requested to take the exam and AMP said they had no record of the appraiser applying to sit for the exam. In previous correspondence between GREAB and the appraiser, he was aware of the 2015 Criteria changes effective on January 1, 2015. The appraiser submitted his application to GREAB on December 17th and GREAB contacted the appraiser on December 23rd by both phone and letter notifying him that his application had been approved. She added that the message the appraiser said he received is not the typical wording that AMP uses to denote no availability at testing sites. A. Bohorfoush said it appears that the appraiser wants the ASC to tell GREAB that it handled his application incorrectly. She added that she does not think the ASC has the authority to tell GREAB that they handled this situation incorrectly nor can the ASC offer any remedies to the appraiser. A. Lindo said a letter should be sent to the appraiser stating that the ASC has found insufficient evidence to start an investigation.

The Closed Session adjourned at 11:55 a.m.