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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

March 25, 2002

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Dear Sirs:

The purpose of this letter is to respond to certain comments in your January 28, 2002 response to the Department of Housing and Urban Development (“HUD”) commenting on HUD’s Proposed Rule on Appraiser Qualifications for Placement on the FHA Single Family Appraiser Roster. In part three of your letter, you addressed “Appraisal Subcommittee [‘ASC’] oversight of state appraisal boards [and] HUD involvement.” You made several comments that we feel compelled to address for the record.

You stated that “some states have failed to conform to the minimum licensing/certification standards issued by the AQB, and yet the [ASC] has failed to take action.” You misunderstand the ASC’s authority under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, (“Title XI”) and how it applies to licensed appraisers. While the ASC’s authority regarding State certified appraisers is clear in Title XI (*see* §§ 1116(a) and 1118, 12 U.S.C. 3345(a) and 3347, respectively), paragraph (e) of § 1116 specifically states that the ASC “shall not set qualifications or experience requirements for the States in *licensing* real estate appraisers . . . . Recommendations of the [ASC] shall be nonbinding on the States.” [Emphasis added.] Accordingly, the ASC has the authority to require States to conform to AQB Criteria for Certified appraiser classifications, but not for Licensed classifications. As can be noted in various publicly available documents, we have addressed numerous shortcomings in State certification programs and have worked with the States to ensure their correction of these shortcomings and their conformance with AQB Criteria, as required by Title XI. For State licensing programs, we consistently recommend that the States conform to AQB Criteria. As you know, most States have voluntarily adopted them.

You also stated that you “believe the [ASC] has not provided sufficient oversight over the state appraisal boards to ensure that the state boards recognize and enforce standards, requirements and procedures prescribed by Title XI of FIRREA. In addition, when states have been identified as having insufficient regulatory systems in place, little or no action has been taken by the [ASC] to rectify these situations.” Once again, as evidenced in publicly available documents, the ASC has taken appropriate action in each instance of State noncompliance with Title XI. If you disagree, please provide specific examples where you believe the ASC failed to carry out its Title XI responsibilities.

You further stated that “at least one state has a new licensed appraiser classification composed of two differently qualified groups of appraisers – those who meet the AQB experience criteria and those who do not . . . . Under this state’s new law, users of appraisal services could be misled into believing that all licensed appraisers meet the AQB’s minimum criteria . . . . That state’s appraisal board has thus far failed to meet the deadlines imposed by the [ASC]. In addition, the [ASC] has since withdrawn its deadlines and simply encouraged the appraisal board to update its licensing system.” The issue addressed in your comments involves the Licensed classification for this State. As discussed above, the ASC does not have the same level of authority over Licensed classifications as it does over Certified classifications. Additionally, the ASC and the State in question continue to actively work together to achieve an acceptable resolution of this issue. The ASC has not “simply encouraged the appraisal board to update its licensing system” and let the matter rest.

In summary, States are required to conform to AQB Criteria only in certifying real estate appraisers. States may choose to conform to AQB Criteria for the Licensed appraiser classification, but nothing in Title XI requires them to do so. While the ASC may determine if a State’s Licensed classification program is “meaningful” under § 1118 of Title XI, that Title specifically prohibits the ASC from setting qualifications or experience requirements (*i.e.*, AQB Criteria) for the Licensed classification.

Sincerely,

Thomas E. Watson, Jr.  
Chairman