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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Via FAX

March 29, 2006

Ramón Rodríguez Suárez
BBVA Puerto Rico
Departamento de Administración de Crédito Comercial
P.O. Box 364745
San Juan, PR 00936-4745

Dear Sr. Rodríguez:

Thank you for your fax of March 2, 2006, requesting our comments regarding a February 23, 2006 letter received from Sra. Gloria M. Pacheco Galán, President of the Junta de Evaluadores Profesionales de Bienes Raíces De Puerto Rico. In that letter, Sra. Pacheco informed you that: (1) certified residential appraisers are not authorized to perform appraisals of commercial properties for banks; and (2) State licensed appraisers (Licencia EPA) are not authorized to perform appraisals of any kind for banks; those appraisals can only be performed by certified appraisers. You believe that these views of the Junta are “contrary to FIRREA’s [Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended] maximum transactions requirements to contract a state licensed or certified residential appraiser.”

The Junta’s statements in the February 23rd letter are consistent with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, (“Title XI”) of FIRREA. In general, Title XI established minimum appraiser qualifications standards and minimum standards of appraisal practice that States and U.S. territories and commonwealths, such as Puerto Rico, must adopt and enforce. Title XI requires that all appraisals in federally related transactions valued at or over \$1 million must be performed by a State certified appraiser. Appraisals in all other federally related transactions may be performed by both certified and licensed appraisers.

The Federal financial institutions regulatory agencies (including the agency regulating your institution) also were authorized to adopt regulations defining a “federally regulated transaction,” and which federally regulated transactions required the services of a certified or a licensed real estate appraiser. Those Agencies adopted their regulations in 1990. Generally, under those regulations, the Agencies, in effect, stated that certified general appraisers could appraise any federally related transaction; certified residential appraisers could appraise any residential one-four family federally related transaction and non-complex commercial federally related transactions up to the value of \$250,000, and licensed appraisers could appraise any residential one-four family federally related transaction up to \$1 million and non-complex commercial federally related transactions up to \$250,000. Those requirements bind the Agencies’ regulated financial institutions. They do not bind appraisers.

Title XI, among other things, authorized States to license and certify persons wishing to perform appraisals in federally related transactions and to supervise their appraisal related

activities. The States also were given the authority to exceed the minimum requirements established by Title XI, as long as the more stringent State requirements were consistent with Title XI's provisions. Quite a few States have chosen to exceed Title XI's minimum requirements in a number of ways. In fact, several States, like Puerto Rico, do not allow certified residential appraisers to perform appraisals in connection with commercial properties. Likewise, nothing in Title XI prohibits States from disallowing licensed appraisers from performing appraisals for financial institutions. Indeed, some States do not have the licensed category.

We hope that this response is helpful. Please contact us if you have further questions.

Sincerely,

Ben Henson
Executive Director