

(To be added to ASC Policy Statement 10 – Enforcement)

[EXISTING LANGUAGE]

B. Audit of Experience and Education Submissions

While the ASC has no preference for any specific methodology, State agencies, at a minimum, should have a reliable means of validating both education and experience credit claimed for certification or licensing. The ASC believes the lack of routine verification procedures is both an invitation to potential fraud and a threat to the integrity of a State's appraiser regulatory program. **See Section F below for requirements applicable to the use of appraiser affidavits or other affirmations of compliance.** (The preceding sentence in bold print is new language.)

[PROPOSED ADDITIONAL LANGUAGE]

F. Use of Affidavits or Other Affirmations Regarding Appraiser Experience and Education

[Section added 7/14/04, effective 1/1/05.]

The following discussion provides guidance on the acceptance of affidavits and other affirmations by States in recognizing experience and education for initial certification, credential upgrade to certification, and certification renewal.

1. **Background** – Most States require applicants/appraisers to submit documentation supporting experience and education claimed to qualify for or renew a credential. These States review the documentation before determining whether to issue or renew the credential. In the ASC's review of State appraiser regulatory programs, the ASC has found that some States rely on affidavits (*i.e.*, sworn statements or affirmations) from applicants/appraisers stating that they have obtained the experience and/or education required under State and/or Federal law to obtain their certificates or licenses initially (*i.e.*, qualifying education or experience) or to renew their credentials (*i.e.*, continuing education). In States accepting affidavits, the applicant/appraiser

usually does not submit documentation to support the claimed experience or education. The States accept the applicant/appraiser's affirmation that he or she has obtained the necessary experience or education. It is critical that States relying on such affidavits have effective procedures to verify that the appraiser has successfully met Federal and State law requirements.

Certified appraisers who obtain their credentials via affidavit, but have not completed the claimed education courses or experience, have not met Title XI's minimum requirements and are not legally eligible to perform appraisals in connection with federally related transactions and appraisals in connection with real estate related financial transactions involving Fannie Mae, Freddie Mac, and FHA.

2. **Experience** – States cannot accept experience-related affidavits from applicants for certification (*i.e.*, Certified Residential or Certified General classifications). If a State accepts experience-related affidavits from applicants for licensure (*i.e.*, any non-certified classification, such as Licensed or Trainee), upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the Certified classification. For example, assume that a State accepts an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the Licensed classification. Subsequently, this appraiser applies to upgrade to the Certified Residential classification. The State must require documentation to support the full experience hours required for the Certified Residential classification, not just the difference in hours between the two classifications.

3. **Qualifying Education for Initial Certification** – States cannot accept education-related affidavits from applicants for initial certification without verifying that the applicant’s claimed education courses are acceptable under AQB Criteria, and that the applicant has successfully completed the courses. States must ensure that applicants for certification meet AQB Criteria. Also, we recommend that States ensure that applicants for non-certified classifications meet the State’s initial education requirements by reviewing each education course.

4. **Qualifying Education to Upgrade to Certified Classifications** – If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser’s application to upgrade to a certified classification, the State must require documentation to support the appraiser’s educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the Certified classification. (*See* paragraph two above for an example of a similar upgrading situation.)

5. **Continuing Education** – States may accept education-related affidavits from certified appraisers for credential renewal. Each State accepting affidavits for certified appraiser credential renewals must establish a reliable means of validating the affidavits, *i.e.*, validation procedures.
 - a) **Validation Procedures** – For the purposes of this Policy Statement, validation procedures need to achieve at least two goals. First, the procedures must include a prompt post-approval audit of an adequate number of affidavits to have an acceptable chance of

identifying appraisers who fail to comply with Federal and State law. The sample must include a reasonable representation of the appraiser population being sampled. Second, the procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. It is necessary to achieve both goals to have reliable validation procedures.

- b) **Credential Renewal Intervals** – States renew appraiser credentials at varying intervals. Some States schedule credentials to expire on a single date, *e.g.*, December 31 each year, every other year, or every third year. Other States schedule expirations for month end or quarter end. Still other States establish expirations based on the dates the credentials are issued and can have expirations almost every day of the year. Each approach presents its own challenges to the State.

For States that have a single expiration date for a portion or all of their appraisers, the appraiser population is easy to determine. This, in turn, makes the sample size easy to determine. States that have multiple expiration dates might have more difficulty in determining the appraiser population and the appropriate sample size and techniques. Nonetheless, it is incumbent on these States to ensure that they implement validation procedures for certified appraisers that conform to this policy statement.

- c) **Auditing and Enforcement Requirements** – The State must audit the education-related affidavit for each certified appraiser selected in the sampling procedure. The following minimum standards apply to these audits:

- Each affidavit audit must be completed within 60 days from the date the renewed credential is issued;
 - The State must determine that the education courses claimed conform to AQB Criteria, and that the appraiser successfully completed each course;
 - When a State determines that a certified appraiser does not meet the AQB's minimum continuing education criteria, the State must take appropriate action in the most expeditious manner to suspend the appraiser's eligibility to perform appraisals in Federally related transactions and to notify the ASC expeditiously, by email or fax, of that fact so that the appraiser's record on the National Registry can be updated appropriately; and
 - If a State determines that more than ten percent of the audited appraisers failed to meet the AQB Criteria, the State must take remedial action to address the apparent weakness of its affidavit process. Possible actions could include: auditing the affidavit submissions of every certified appraiser in the renewing population; abandoning the affidavit process; and/or prominently publishing the names of appraisers failing the audit to improve deterrence. The ASC will determine on a case-by-case basis whether remedial actions were effective and acceptable.
- d) **List of Education Courses** – A State that accepts continuing education-related affidavits for certified appraisers must require that a listing of courses be included with the

affidavit. The listing needs to include only the name, hours, and dates attended for each course.

- e) **Documentation** – To ensure that the ASC can determine State compliance with these standards, a State needs to maintain adequate documentation to support its affidavit renewal and audit procedures and actions.