



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

AUG 10 2006

Mr. Donald Kelly
Vice President of Public Affairs
of the Appraisal Institute
122 C Street, NW, Suite 360
Washington, DC 20001

Dear Mr. Kelly:

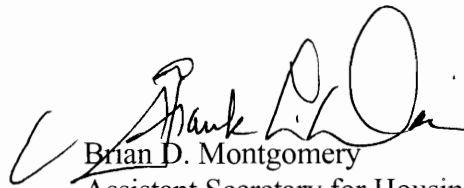
Thank you for your letter of July 7, 2006, which you expressed concern with the Federal Housing Administration's (FHA) inclusion of appraisers as participants in property flipping in the Prohibition of Property Flipping final rule, published in the Federal Register June 7, 2006. You indicated that appraisers are not likely to participate in property flipping schemes.

While the Department is in agreement that appraisers are duty bound by the Uniform Standards of Professional Appraisal Practice to promote and preserve the public trust inherent in professional appraisal practice, there are those few who indeed colluded with other parties in a number of property flipping schemes. This information was used in promulgating HUD's property flipping rules and explains why appraisers were included in the description of parties who may have participated in property flipping schemes.

I appreciate your interest in protecting the reputations of appraisers. Your organization provides substantial benefits to the industry, enforcing standards and representing the interests of appraisers nationwide.

FHA looks forward to continuing to work with the Appraisal Institute and the other organizations, who co-signed the letter, on issues involving appraisers and appraisals. Thank you for taking the time to let us know of your concerns and for your interest in the Department's programs.

Sincerely,


Brian D. Montgomery
Assistant Secretary for Housing-
Federal Housing Commissioner