



September 26, 2008

The Honorable Brian Montgomery  
Commissioner  
Federal Housing Administration  
451 7<sup>th</sup> Street, S.W.  
Washington, D.C. 20410

Dear Commissioner Montgomery:

On behalf of the 35,000 members of our respective professional organizations, we would like to comment on the appraisal provisions in H.R. 3221, the Housing and Economic Recovery Act, which recently was signed into law.

Section 1404 of the bill requires any appraiser chosen or approved to conduct appraisals for mortgages to be certified by the State in which the property to be appraised is located or by a nationally recognized professional appraisal organization; and to have demonstrated verifiable education in the appraisal requirements established by the Federal Housing Administration. The Congressional intent, we believe, stemmed from a belief that the restructured loans under the Hope for Homeowners program are complex and should be afforded a higher level of competence than demonstrated by License level. From that point, after hearing that some states were intent on phasing out the license level, and that FHA appraisers were being approved without full knowledge or understanding of FHA appraisal requirements, the Congressional discussion widened to encompass all assignments.

Overall, we interpret the provision to attempt to “raise the bar” to be approved on the FHA Appraiser Roster, a goal that we wholeheartedly support. FHA appraisal assignments are unique, having to adhere to FHA-specific appraisal requirements that deserve to be performed by qualified appraisers. In light of all the problems occurring in the financial sector today, we believe it is critical to elevate the importance of sound appraisals. Because of this, we believe FHA has an opportunity to be a genuine catalyst for positive change as it implements this law.

We anticipate there being several tough decisions to be made by the agency as to how to appropriately raise the bar without causing disruption to the marketplace. We originally had interpreted the provision to apply to new applicants for the panel. However, we recognize that, if applied retroactively, there will be some currently licensed appraisers who fall between the cracks. Therefore, we encourage the establishment of a grace period during which those licensees might opt to become certified in order to maintain their place on the roster.

Our organizations understand that the FHA plans to issue a Mortgagee Letter soon with the agency’s interpretations of this Section. As the largest real estate appraiser professional organizations in the United States, we offer our suggestions on possible approaches and we encourage their consideration.

First, our organizations encourage the FHA to apply the certification provisions to all newly appointed FHA appraisers, effective immediately. This is a relatively simple change to FHA appraisal policy, elevating the requirement from that of Licensed appraiser to Certified appraiser.

Second, for existing Licensed appraisers currently on the FHA Appraiser Roster, we encourage the FHA to grant them a period of time – 12 months – to upgrade their credentials from Licensed to Certified appraiser. Our organizations have reviewed the qualifications criteria published by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation and believe that to be a fair amount of time for most appraisers to take the necessary coursework to upgrade their credential. Further, we discourage the agency from granting such a time allowance to some states and not to others. Instead, we encourage the FHA to grant the 12-month allowance for all existing FHA appraisers to avoid potential displacements from the FHA Appraiser Roster. Such a policy change, when coupled with establishing an immediate requirement that all new FHA appraisers be Certified, would represent a good faith effort to comply with the new FHA law in the opinion of our organizations.

Third, the provisions of H.R. 3221 require FHA appraisers to have demonstrated competency in FHA appraisal requirements or, as we read it, to present credentials above their level of certification, through additional specific education, work product reviewed by upper level peers, etc. We support this provision, as it only makes sense for FHA appraisers to have a basic understanding of the guidelines for preparing acceptable FHA appraiser requirements. To truly carry out the spirit of the new law, appraisers must be more thoroughly trained, and that means trained in FHA procedures as well as basic analysis.

As the FHA reviews how to interpret this provision, we discourage the agency from relying strictly on the minimum qualifications criteria for state Certification. We are not aware of any provisions within the AQB minimum qualifications criteria that speak to FHA appraisal requirements. Instead, our organizations believe that the best way to implement this provision is to require all FHA appraisers to present verification of, at a minimum, a seven-hour seminar on FHA appraisal requirements and to reinstate the FHA appraiser examination requirement. There are numerous FHA appraisal education offerings in existence today, including several offered by our organizations. Demonstrating completion of such programs is relatively easy to do as an education provider, and we stand ready to assist the FHA should your agency elect to accept these suggestions.

Finally, Section 1404 speaks to appraisers being certified by nationally recognized professional appraisal organizations. This is a highly complicated subject, given that there are multiple designations conferred by existing appraisal organizations; professional designations differ from certifications offered by states.

We have great concern with the FHA recognizing designations from “diploma mills” or where the designation is not awarded based on any demonstrated competency in appraisal practice. However, where the designations are conferred based on demonstrated competency, we believe that the FHA stands to benefit, and we encourage the FHA to seek out these individuals. Professionally designated appraisers are some of the most qualified appraisers in their community, and the FHA should want these individuals on the FHA Appraiser Roster. For this

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reason, we encourage the FHA to recognize appraisers who have earned professional designations from professional appraisal organizations that grant designations based on demonstrated competency. We note that the Internal Revenue Service already has enacted this requirement for conducting appraisals of non-cash charitable contributions, and we think a similar approach could be taken by the FHA.<sup>1</sup>

Thank you for your consideration and we would be happy to arrange a meeting to discuss this with you in person. Please call Bill Garber, Director of Government Relations for the Appraisal Institute, at 202-292-5586 or [bgarber@appraisalinstitute.org](mailto:bgarber@appraisalinstitute.org), or Peter Barash, Government Relations Consultant, American Society of Appraisers, at (202) 466-2221 or [peter@barashassociates.com](mailto:peter@barashassociates.com), should you have any questions.

Sincerely,

Appraisal Institute  
American Society of Appraisers  
American Society of Farm Managers and Rural Appraisers  
National Association of Independent Fee Appraisers

Cc: Ms. Margaret Burns, Director, Office of Single Family Program Development  
Ms. Donna Tomposki, Director, Home Valuation Policy Division  
Mr. Peter Gillespie, Senior Appraiser

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<sup>1</sup> *Guidance Regarding Appraisal Requirements for Noncash Charitable Contributions*. (2006, October 19). Internal Revenue Service. Retrieved from <http://www.cof.org/files/Documents/Government/Charitable%20Reform%20Resource%20Center/IRstransitionalGuidanceOnRegsForQualifiedAppraisals.pdf>