



September 2, 2008 (Revised September 24, 2008)

The Appraisal Foundation
c/o Business Plan Committee
1155 15th Street, NW, Suite 1111
Washington, DC 20005

To Whom It May Concern:

Thank you for the opportunity to comment on The Appraisal Foundation's Strategic Goals.

Our organizations have reviewed the Foundation's draft Strategic Goals and compared it to the Foundation's existing strategic plan. While we believe that it is important for The Appraisal Foundation to be ambitious with its goals, we note several items within the plan that represent departures from The Appraisal Foundation's core functions. We urge caution that The Appraisal Foundation not over-extend itself given the pressing issues facing the appraisal profession today. We believe that now is the time to redouble efforts to improve the overall effectiveness of appraisal standards and qualifications criteria, the Foundation's core responsibilities.

Specifically, there are several provisions within the plan that we recommend the Foundation reconsider and revise, as explained below.

Ethical Conduct

The proposed vision statement provides that The Appraisal Foundation is "the ultimate source for...ethical conduct." The reference to "ethical conduct" is confusing and appears inconsistent with the rest of the document, which references The Appraisal Foundation's establishment of standards and qualifications, not "ethical conduct." Further, being the source for "ethical conduct" is not consistent with the context of The Appraisal Foundation's strategic plan. We suggest that the term "ethical standards" be utilized instead.

Public Policy

The draft strategic plan seeks to create a "Bill of Rights" for consumers with respect to their expectations from appraisers. We do not believe that the Foundation's role is to establish consumer rights. While The Appraisal Foundation may help consumers understand appraisal standards or qualifications, the term "bill of rights" is problematic. First, conflicts are inevitable when proper application of appraisal methodology (according to USPAP) conflict with a perception on the part of a consumer that a "bill of rights" was violated. We believe that the Foundation's stepping outside of standards development on this issue opens up The Appraisal Foundation and appraisers for increased and inappropriate liability. We strongly urge removal of this provision.

Second, The Appraisal Foundation proposes to "continue to establish public policy, which ensures the protection of the public interest...." We believe that a better phrase is, "continue to promote sound public policy."

Education

The draft strategic plan states that the Foundation will ensure competent instruction of appraisers. With regard to education, we believe that the Foundation's role relating to instruction of appraisers should be focused on the Uniform Standards of Professional Appraisal Practice (USPAP), its core business function, and we further suggest that this be specified in the strategic plan.

The draft provides that the Foundation will work with degree-granting institutions to develop appraiser education. We read this to mean that The Appraisal Foundation intends to develop courses in all aspects of appraisal, not just Standards. This raises serious conflict of interest questions in having a standards and

qualifications-setting body having a stake in developing education and directly competing with education providers. We strongly urge that this provision be struck from the strategic plan.

Appraiser Independence

According to the draft plan, The Appraisal Foundation seeks to “work with responsible groups to ensure appraiser independence.” Again, as it relates to appraisal standards and ethical requirements, The Appraisal Foundation has an important role of developing standards for appraisers, and clearly must communicate this role to the general public for effective enforcement. The Appraisal Foundation must not waiver from its existing responsibilities to clearly disseminate this information to the public, as part of its efforts to promoting the public trust in the appraisal profession.

In addition, issues of appraiser independence are not controllable by appraisal standards. They relate more to unethical actions of lenders, mortgage brokers, realty agents and others applying pressure on appraisers. Involvement in appraiser independence would require the Foundation industry boundaries. The Appraisal Foundation, seeking to impart judgment **and** regulation on other industries would meet with challenges at every turn. This cross-industry activity clearly is out of the scope of the founding organizations mandate that the Appraisal Foundation serve as a repository of standards for appraiser practitioners. Appraisal independence involves regulatory and legal controls under development, but primarily involves practical, business issues, best dealt with by individual appraisers, private professional appraisal organizations, and other real estate industry groups. Taking on an issue of this magnitude is a considerable reach for a standards-setting body, and one that we cannot endorse at this time.

General Comments

The Appraisal Foundation is a Standards Organization similar to ASTM, ISO, IEC and others. A good article outlining the traditional role of standards organizations around the world may be found at:

http://en.wikipedia.org/wiki/Standards_organization

Standards organizations are very careful in maintaining a clearly defined and appropriate scope of activity, thus enabling them to maintain an independent, impartial position of addressing standards to a wide base of users. We believe that The Appraisal Foundation seriously must consider the loss of credibility to a standards organization that sets standards for a type of product, while choosing to also develop and promote such products on its own. This is not done by other standards organizations and should not be considered by The Appraisal Foundation.

The Appraisal Foundation gives the impression that it wants to negate the perception that its role is limited to appraisal standards. The goal of establishing activities in areas outside of appraisal standard development is ambitious, and likely to be extremely expensive and difficult to attain. The Appraisal Institute strongly suggests that the Foundation incorporate more detailed language in the strategic plan that defines how it will work with the founding organizations going forward on objectives and strategies that will be beneficial to the appraisal profession and the public. We sincerely hope that the Foundation will work with the founding organizations to refocus on the Foundation’s original mission to address the needs and best interests of the appraiser profession and the public.

Thank you, again, for the opportunity to review and comment on the draft strategic plan. We look forward to working with you to advance the appraisal profession.

Sincerely,

Appraisal Institute
National Association of Independent Fee Appraisers