



September 12, 2011

Office of General Counsel
Regulations Division
U.S. Department of Housing and Urban Development
451 7th Street, S.W.
Room 10276
Washington, D.C. 20410

RE: Docket No. FR-5458-P-01

To Whom It May Concern:

On behalf of the nearly 30,000 members of our respective professional organizations, please accept these comments in response to the Department of Housing and Urban Development's ("HUD") Proposed Rule updating regulations to require appraisers be "certified," rather than licensed, for inclusion on the FHA Appraiser Roster. This requirement was established by the Housing and Economic Recovery Act of 2008 ("HERA Act"), implemented through Mortgagee Letter, and is now proposed to be codified in regulation.

Our organizations continue to support the HERA Act's requirement that all FHA appraisers, at a minimum, achieve state certification where the appraisal is to be performed. The overall provision of the HERA Act is an important raising of the bar of FHA appraisal requirements. In fact, Congress had great vision in this instance, given the provision was included in the HERA Act to help prepare FHA for potential increases in market share, and amplified market risks, which have resulted in recent years.

Under the Proposed Rule, FHA intends to codify in regulation to only accept state certification, passing over an additional option recognizing designations or certificates conferred by nationally recognized professional appraisal organizations. We understand FHA's decision, given the complications of administering a system that recognizes both public and privately conferred credentials. Still, we believe FHA stands to benefit from inclusion of appraisers who have not completed state certification, but who have demonstrated competency in FHA appraisal requirements from nationally recognized professional appraisal organizations like ours.

A related provision in the HERA Act requires FHA appraisers to have "demonstrated verifiable education in the appraisal requirement established by FHA¹". FHA has contended that state certification suffices for

¹ Section 202(f) of the National Housing Act mandates that all appraisers chosen or approved to conduct appraisals of properties that will be security for FHA-insured mortgages must: (1) be certified by the State in which the property to be appraised is located; or by a nationally recognized professional appraisal

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this requirement², and on this point, we disagree. The minimum criteria for state certification established by the Appraiser Qualifications Board require appraisers to satisfy education in the residential market analysis and highest and best use, sales comparison and income approaches and the cost approach, among other courses³; however no course or requirement specifically addresses FHA appraisal requirements found in FHA Handbook 4150.2 or Appendix D. This is deeply concerning given that our organizations continue to hear from our members and appraisal reviewers that many FHA Appraisers are not aware of the existence of the FHA Handbook or Appendix D, let alone, cognizant of their actual requirements. FHA used to require all applicants to the FHA Appraiser Roster to pass an examination to demonstrate their knowledge of HUD Handbook 4150.2 and Appendix D. In recent years, this requirement was watered down to only a signed statement that the appraiser is knowledgeable of FHA appraisal regulations.

For this reason, we believe FHA should reevaluate its position that minimum certification requirements established by the Appraiser Qualifications Board effectively demonstrate verifiable education on FHA appraisal requirements and consider requiring all FHA appraisers to present verification of, at a minimum, a seven hour course, potentially even including an examination. There are numerous FHA appraisal offerings in existence today, including several offered by our organizations, and demonstrating completion of such programs is relatively easy to do as an education provider.

We offer to work with FHA to accomplish this goal and fully carry out the Congressional mandate established under the HERA Act, and generally, to improve the quality of FHA appraisals in promotion of safety and soundness.

Thank you again for the opportunity to comment. Please call Bill Garber, Director of Government Relations for the Appraisal Institute, at 202-292-5586 or bgarger@appraisalinstitute.org, or Brian Rodgers, Manger of Government Relations, at (202) 298-5597 or brodgers@appraisalinstitute.org should you have any questions.

Sincerely,

Appraisal Institute
American Society of Farm Managers and Rural Appraisers

organization, and (2) have demonstrated verifiable education in the appraisal requirements established by FHA.

² According to ML 08-39, "Moreover, FHA has determined that appraisers meeting the AQB criteria, as required by the FHA Appraiser Roster regulations, have "demonstrated verifiable education in the appraisal requirements established by FHA" under the new law." Available at <http://www.appraisal.state.az.us/userfiles/file/12%2008%20FHA%20Mortgagee%20Ltr.pdf>

³ From *Real Property Appraiser Qualification Criteria*, available at <http://netforum.avectra.com/eweb/DynamicPage.aspx?Site=taf&WebCode=RPCriteria>