

March 31, 2016

Mr. Joe Traynor
Chair
Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Re: Potential Areas of Change to the Real Property Appraiser Qualification Criteria

Dear Mr. Traynor,

Thank you for the opportunity to comment on the Discussion Draft on Potential Areas of Change to the Real Property Appraiser Qualification Criteria, dated February 11, 2016. We have reviewed the exposure draft and consulted with several committee chairs of the Appraisal Institute to offer the following comments relative to the issues identified by the AQB.

General Issues

The AQB appears interested in debating whether there is a shortage of appraisers. However, an examination of the data clearly shows a significant downward trend in the number of practicing appraisers; that the downward trend is likely to continue given the older demographic of the profession and the small number of new entrants; that the downward trend is currently and projected to be more pronounced in the residential appraisal sector than the general sector; that there are coverage issues in some areas of the country, particularly some rural areas; and that there is little interest in entering the profession.

The latter point is what is most troubling to us and to the long-term health of the profession. As we stated in the first exposure period, we believe TAF and the AQB should reevaluate its programming as it relates to the business and regulatory climate imposed on appraisers. Instead of adding layers of rules (e.g., background check requirements without efficient means for processes such requirements) and new regulatory regimes and liabilities (codified methodology), TAF and its boards should focus their attention to TAF's core mission of establishing minimum qualifications and standards for appraiser competence, and to remove unnecessary and inappropriate regulatory burdens on appraisers.

Alternative Track for Licensed Residential to Certified Residential

We have no dispute with removing the four-year college degree requirement for residential licensees. This college degree requirement was likely premature when it was implemented.

The bigger issue to the above point is that we believe the AQB should remove itself from developing and mandating qualifying experience criteria altogether. The states are not well-positioned nor resourced to administer an experience requirement in a consistent and qualitative manner. Moreover, experience should not be a requirement for a minimum state credential, as most professions require education rather than experience for entry into such professions. Experience comes later. This is how other professions, such as accounting, deal with minimum qualification requirements. Individuals do not have to have experience in order to work as regular accountants, although they are not able to perform all of the functions of a CPA. In order to be a public certified accountant, an individual needs to complete other requirements, which often includes an experience requirement of working under the supervision of a CPA for a certain number of hours.

Potential Areas of Change to the Real Property Appraiser Qualification Criteria March 31, 2016

One result from the existing qualification criteria is that the public may conclude that a state has examined and evaluated the quality of a newly certified appraiser's experience, when in fact a state may not even look at the reports. There are tremendous inconsistencies among the states in this regard which adds to the confusion.

As an alternative to the current approach, we believe that professional organizations should review experience of those who seek to move beyond minimum licensing credentials. Professional associations such as the Appraisal Institute have sophisticated programs for rating experience as part of their designation programs. We believe that the market should consider experience in retaining an appraiser as one of a number of qualifications for specific assignments, instead of having a governmental mandate in experience for a state credential.

Under this approach, the three questions posed by the AQB would become moot if it removes the experience requirements and moves to purely educational requirements for a state credential. Questions about shortages of appraisers would be removed because the current roadblocks to entry would be wiped away from the picture. All of the issues about upgrading also become moot.

Enhanced Practicum Curriculum

This proposal by the AQB is headed in the right direction, but in its current form it still retains the same roadblocks to entry in the profession. In other words, there is still an experience requirement and as long as that is in place, the same barriers to entry remain.

Much of the appraiser's research today is done through the Internet, all of which can be simulated in a tested educational environment. The benefits are that individuals receive consistent education that can be more easily tested in a consistent and objective manner. One of the drawbacks to the existing "qualifying experience," it could be argued, is that credentialed appraisers do not necessarily receive enough education. Thus, they may take on assignments for which they are not competent.

At this point, we believe the AQB should throw out the current proposal and start with outcome-based education modeled on competency. In other words, start by answering the question - What does the appraiser need to know to meet the minimum requirements of credentialing? Once that is determined, establish the required education and simulated case studies that will produce the desired outcome. Again, the questions being asked such as the appropriate number of hours for experience are the wrong questions.

Beyond this, we do not believe the proposed practicum curriculum is financially feasible because it still requires an experience requirement (at least 50%).

Lastly, should the AQB insist on continuing down this path despite our comments and suggestions, we intend to explore development of a practicum course for the betterment of the appraisal profession. We would consider a partnership with TAF in this regard.

Alternative Experience

We do not believe the AQB should open the "alternative experience" door as a part of the minimum state appraisal credentialing criteria. While we understand that the intent is to allow alternative experience from other sectors of real estate and finance, the outcome does not appear to be practical. For one, we question whether state appraiser regulatory agencies can objectively and consistently consider such alternative experiences in lieu of education. Further, the questions posed in the draft document clearly indicate why the AQB should not go down this road, as there are no good or reasonable answers to these questions.

Instead, professional associations are best situated to consider alternative experience in their designation or certification paths that are beyond minimal state appraisal credentialing.

Potential Areas of Change to the Real Property Appraiser Qualification Criteria
March 31, 2016

If the AQB decides to go down this road, we believe it should be based on competency testing. In other words, if an individual has professional experience related to appraising, then that person should be able to pass a competency test to ensure they truly understand their experience.

“Trainee” Nomenclature

We do believe “trainee” can be perceived as an offensive or demeaning term. “Appraiser Intern” might be better.

Further, if our prior suggestions stated above are implemented, we would have no problem with transitioning appraiser trainees to licensed appraisers. Plainly, the AQB should get out of the trainee business.

Three Year Supervisory Residency Requirement

Again, the AQB should not be in the business of establishing qualifications for trainees or supervisors. If the AQB criteria aligned purely with an educational licensing credential, the qualification process would be better aligned with the public interest. The public would know what they’re getting: a well-educated individual in appraisal theory fundamentals that includes simulated case studies that have been consistently and objectively administered and tested.

Thank you again for the opportunity to comment on the exposure draft. Please contact Bill Garber, Director of Government and External Relations at 202-298-5586, bgarber@appraisalinstitute.org should you have any questions or require additional information.

Sincerely,

Appraisal Institute