



September 2, 2014

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Mail Stop 9W-11, 400 7th Street SW.
Washington, DC 20219

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551

Attention: Docket ID FFIEC-2014-0001

To Whom It May Concern:

On behalf of the 25,000 members of the Appraisal Institute and the American Society of Farm Managers and Rural Appraisers, thank you for the opportunity to comment on the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve, and the Federal Deposit Insurance Corporation review of regulations mandated by the Economic Growth and Regulatory Paperwork Reduction Act. We applaud your agency for soliciting comments on unduly burdensome regulations, and offer the following comments on the appraisal standards for federally related transactions.

Transactions Requiring a State Certified or Licensed Appraiser

De minimis

Currently, appraisals are not required under federal regulation below \$250,000 for residential mortgage loans and \$1 million for business loans. This threshold for requiring appraisals has been raised twice since its inception, first from the original \$50,000 level to \$100,000, then up to \$250,000. Our organizations see no justification to raise the threshold level, once again, as we view appraisals as being the "gold standard" in valuation. This is affirmed by government and government sponsored enterprise policies of Fannie Mae, Freddie Mac, and the Federal Housing Administration, which all utilize appraisals as part of their own policies for sound business planning and collateral risk assessment. We urge the Agencies to resist any calls for increasing the threshold to protect safety and soundness of the U.S. banking system.

Evaluations

Though appraisals are not required under the de minimis, under federal bank regulatory policy, lenders must obtain an "evaluation" to fully understand the collateral risk involved with the loan. In recent years our organizations have led calls for changes to the Uniform Standards of Professional Appraisal Practice (USPAP), specifically, a Scope of Work rule that allows appraisers to tailor assignments to the needs of lenders and two report types that will cover every demand a lender might have. We request the Agencies

reevaluate the efficacy of the evaluation framework in light of these changes and to consider requiring appraisals that pair the scope of work with the amount of risk involved in the transaction. This is consistent with how many industrialized countries address collateral valuation policy in real estate lending.

That said, we cannot ignore the fact that appraisers have to perform work under USPAP in most cases and that this presents some competitive disadvantages against other valuation service providers, who do not face minimum valuation standards or minimum licensing requirements. While USPAP has been made more flexible, it still contains many “rules” that other valuation service providers do not have to contend with. Two examples are the recordkeeping rule and the subsequent services disclosure requirement. Rules like these make it difficult for appraisers to compete with other valuation service providers, and yet real estate appraiser are likely the best suited to provide risk based valuation services.

Barring a reassessment of the evaluation structure, we urge the Agencies to explore granting an exemption for appraisers from USPAP when performing evaluations. Essentially, when a lender is required by a federal regulatory agency to estimate the value of real property for any purpose, including for a federally related transaction, and the regulated institution is not required to obtain an appraisal, the value of the real property may be estimated by an appraiser and not be subject to compliance with USPAP. This creates flexibility for lenders to turn to appraisers to provide cost competitive valuation services where the development and reporting requirements suit the needs of the assignment.

Professional Association Membership/Designations

Our organizations continue to stress that when engaging an appraiser, lenders should base their selection on *competency*, rather than focus on factors such as pricing and turnaround time. The issue of competency, as well as appraisal assignment complexity, must become the primary factors for all parties when hiring appraisers. We note that the Dodd-Frank Act included an attempt at “raising the bar,” which amended a section relating to consideration of professional designations (Section 1122(d) of FIRREA) to read:

“...may include education achieved, experience, sample appraisals, and references from prior clients. Membership in a nationally recognized professional appraisal organization may be a criteria considered, though lack of membership therein shall not be the sole bar against consideration for an assignment under these criteria.”

This language was included to promote greater professionalism and advanced training within the appraisal profession. We strongly encourage the Agencies to review this provision and consider enhancing its appraisal regulation to conform to these changes.

Thank you again for the opportunity to comment. We hope that you find these suggestions and comments constructive and beneficial. Please call Bill Garber, Director of Government & External Relations for the Appraisal Institute, at 202-292-5586 or bgarber@appraisalinstitute.org, or Brian Rodgers, Manager 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