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January 29, 2002

Regulations Division  
Office of General Counsel  
Department of Housing and Urban Development  
Room 10276  
451 Seventh St. SW  
Washington, DC 20410-0500

Re: Docket No. FR-4620-P-01; Department of Housing and Urban Development;  
Appraiser Qualifications for Placement on FHA Single Family Appraiser Roster; 24  
CFR 200; 66 Federal Register 60128, November 30, 2001

Dear Sir or Madam:

The American Bankers Association (“ABA”) appreciates the opportunity to comment on the Department of Housing and Urban Development’s (“HUD”) proposal to “strengthen the licensing and certification requirements for placement on the FHA Appraiser Roster.” The American Bankers Association brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership -- which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks -- makes ABA the largest banking trade association in the country.

#### Background

In this proposal, HUD seeks to enhance its FHA Appraiser Roster licensing and certification requirements by requiring that appraisers seeking inclusion in the FHA Appraiser Roster not only have a valid state license or certification but also have “professional credentials that are based on the minimum licensing/certification standards issued by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation.” In justifying this proposed requirement, HUD states that this will help ensure “that appraisers on the Appraiser Roster meet high competency standards, thereby improving the quality and accuracy of their FHA appraisals.”

HUD intends to apply these AQB minimum standards to appraisers as of their date of licensure or certification. If an appraiser does not meet the AQB minimum standards in effect as of that date, the appraiser could not be included in the FHA Appraiser Roster regardless of his or her possession of a valid state license or certification or other demonstrated competency. HUD has indicated that approximately 330 of the 22,163 appraisers currently on this roster would not meet

this requirement. HUD further indicates that these individuals should have little difficulty in acquiring the additional education and/or experience to meet the proposed requirements.

In order to further strengthen the requirements for access to or retention on the FHA Appraiser Roster, HUD proposes to clarify that “an appraiser may be removed from the Appraiser Roster if the appraiser loses his or her license or certification in any state due to disciplinary action even if the appraiser continues to be licensed or certified in another state.” Also, the proposal provides for automatic suspension from the FHA Appraiser Roster of any individual whose license has expired or been revoked, suspended or surrendered pursuant to state enforcement action.

### ABA Position

The ABA encourages governmental or private sector initiatives to better ensure the competency of real estate appraisers, particularly in real estate transactions in which the loan is insured or guaranteed by programs of the Federal government. Also, the ABA, an Affiliate Sponsor of The Appraisal Foundation, supports the work of the Foundation and its constituent boards (the Appraiser Qualifications Board and the Appraisal Standards Board) and actively participates in their work through the submission of letters of comment on their proposals and testimony at their public hearings.

In this context, the ABA believes the imposition of the proposed “professional credentials” as mandatory criteria for participation on the FHA Appraiser Roster poses questions that HUD should clarify before finalizing the proposed regulation. While the competency of a real estate appraiser can be measured by many factors, including compliance with AQB minimum criteria, the ABA questions the practicality of creating these new qualification criteria.

As an example, there does not appear to be a uniform, easily articulated national “professional credentials” standard to measure the competency of each real estate appraiser. Each state imposes its own minimum qualification criteria pursuant to either a Federal AQB mandate for certification or Federal AQB guidance for licensure. Thus, in theory and in practice the gap between the AQB criteria and a state’s criteria can vary significantly. This problem is further complicated by the time factor. The above gap varies also by difference in state standards applied over time. The ABA recommends that HUD establish a mechanism to easily measure the extent of this “professional credentials” gap. HUD should ensure that this gap can and will be readily and clearly communicated to each real estate appraiser affected by this regulation.

In establishing this mechanism, the ABA suggests that HUD provide each affected real estate appraiser with an opportunity to challenge his or her removal from the FHA Appraiser Roster based on these newly imposed “professional credentials” criteria. This would allow an individual the chance to demonstrate that he or she has satisfied the above criteria gap and has the competency to perform FHA real estate appraisals. In addition, the ABA suggests that HUD provide a phase-in period for implementation of the proposed rule so an individual adversely affected will have sufficient time to accommodate this “professional credentials” criteria.

In implementing the proposed regulation, the ABA recommends that HUD ensure that its monitoring of the “professional credentials” criteria gap not impose any burden on the states and their licensing and certification boards. This is particularly important in any instance in which a state has adopted criteria equivalent to the AQB minimum criteria and there are licensed or certified real estate appraisers who received their licensing or certification prior to the state’s adoption of these criteria.

As a technical matter, the ABA does not believe that the use of the phrase “professional credentials” is an appropriate use of that commonly understood term. In the terminology employed among real estate and personal property appraisers, professional credentials refer to those designations earned by appraisers within professional membership organizations. The reference in the proposed rule to “professional credentials” is misapplied if used to designate the gap between a state’s licensing and certification criteria and the minimum criteria of the AQB. ABA recommends that HUD create a more appropriate phrase to identify this concept.

### Conclusion

The ABA recognizes the importance of the competency of a real estate appraiser in the performance of FHA appraisals and supports the adoption, as required under Federal law, of the qualification criteria established by the AQB. At the same time, the ABA questions certain aspects of the proposed regulation as identified above and urges HUD to address these issues before finalizing this proposed regulation.

If you have any questions or need additional information, do not hesitate to contact the undersigned at (202) 663-5333.

Sincerely,

A handwritten signature in black ink that reads "John C. Rasmus". The signature is written in a cursive, flowing style.

John C. Rasmus