

October 14, 2015

Mr. Wayne Miller
Chair
Appraiser Qualifications Board (“AQB”)
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Dear Chair Miller,

On behalf of the banking industry members we represent (the “Banks”), please accept this letter as our voice in providing the feedback requested by the AQB on the challenges facing the appraisal industry in recruiting, educating, and retaining qualified appraisers. As users of appraisals, it’s not the purview or responsibility of Banks to prescribe on the specific regulations, policies, and their implementation. Furthermore, the needs and concerns expressed in this letter are a compilation of comments and suggestions from member banks, and do not represent the definitive opinion of any single member bank. Additionally, our comments in this letter will address only specific questions requested in the Concept Paper issued by the AQB.

We thank you for participating in our meeting of September 16th, facilitated by the ABA, in which users, appraisers, regulators and other interested parties voiced their concerns and opinions. Your participation informed the dialogue, and was useful in understanding the AQB’s unique perspective.

In that spirit of dialogue, please take into consideration the following:

- Based on information provided to the ABA by banks, appraiser organizations, and government agencies, there’s a consensus opinion that certain segments of the market (i.e. commercial/residential/rural), and certain geographic locations, are experiencing a shortage of appraisers, continuing into the foreseeable future:
 - The concentration of appraisers continues to be in large urban/suburban areas in which the income potential and volume is larger, leaving other areas short.
 - There’s a lack of interested persons entering the profession for reasons discussed herein.
 - The requirements to entry have increased in recent years. While there are many good reasons for many of the requirements, some are no longer needed, and substitution of related experience may actually be more beneficial in certain instances.
 - Aging of the members of the profession.

- The commoditization of the residential appraisal, with the average appraisal fees being dictated by an intermediary that provides no value in the appraisal function, has led to challenges for residential appraisers, currently the 1st step into the appraisal profession, without the ability to earn a decent living. This can lead to appraisers using the “shortest time, least work, good enough” mentality in the work product to increase volume and make up for stagnating fees. This situation is not attractive in recruiting potential new appraisers, or attract members of other professions.
- The current supervisor-trainee model is not working sufficiently well for both the supervisor and trainee, due to the way in which both parties are compensated, the liability and the length of time investment from both. As a result, many supervisors are unwilling to take on trainees and some trainees are paying supervisors to take them on. These challenges further add to the unattractiveness of the profession.
- Educational requirements do not take into account experience levels of parallel professions such as realtors, assessors, bank examiners, collateral reviewers, real estate investors, real estate managers, real estate portfolio managers, and graduates of college with degrees in real estate and/or appraisal.
- The application of the rules, regulations and educational requirements are not consistent from state-to-state, further adding confusion and cost to the process.

With the above concerns in mind, following are the responses to the questions:

1. *Is there a need for an alternative track to gain the required experience?*

It's the consensus opinion of the Banks that in view of the above concerns, that a parallel alternative track is needed and can be formulated by the appraisal industry and its organizations, that would allow individuals with experience from other fields or with applicable college education to become appraisers.

2. *Is there really a lack of certified appraisers that can be addressed by altering the requirements?*

Yes. Based on compiled reports from various sources, and feedback from our member Banks, the Banks believe that there's a current shortage, but more importantly a future shortage, due to both the aging of the appraiser population and the significant drop of entrants into the profession.

3. *If so, could alternatives to the appraisal experience requirements to allow additional non-traditional experience be developed that would still provide for protection of the public trust?*

It's the opinion of the Banks that alternatives are possible and viable with the cooperation of all stakeholders.

4. *Given the trends in the profession, is this necessary for all classifications, or is this predominantly an issue for the residential classifications?*

This is an issue for all classifications.

5. *As with many of the issues that face the AQB, there are different market dynamics that impact the residential segment of the profession versus the commercial or non-residential segment(s). Is there a need to alter the appraisal experience path for all classifications or just the residential classification(s)?*

The need is for all classifications educational requirements to be analyzed and changed.

6. *Are there practical alternatives for some (or all) of the appraisal experience requirements to include non-appraisal experience? If so, what are they?*

Alternatives can include the following:

- a. College degrees in appraisal or real estate can accelerate the experience requirements.
 - b. Related professions experience can count towards appraisal experience.
7. *What are some parallel professions?*
Real estate brokers, CCIM, real estate investment professionals, bank examiner, collateral reviewer, real estate developers, real estate tax assessors, appraisal reviewers, farm managers, CPA's, real estate attorneys.

8. *Are practicum courses (currently allowable for up to 50% of experience) viable?*

As part of a comprehensive change in the requirements for training, along with a change in the supervisor-trainee model, experience gained via practicum would be viable.

9. *What controls would have to be in place to make sure the non-appraisal experience is verifiable and relevant?*

A two pronged approach that would include 1) a curriculum review and approval of the college that offers the degree, and 2) a review of the resume and experience of the applicant along with testing and a minimum required set of practicum courses.

10. *How would a jurisdiction review the experience of an applicant utilizing an alternative track?*

Due to the fact that licensing is done at the state level, the challenge will be to standardize the review process to the satisfaction of so many jurisdictions. It may require legislative changes to standardize at a national level many of the proposed changes.

11. *Is there a practical way to verify actual parallel professional non-appraisal experience?*

Yes, it will require the establishment of a task force, with input from the industry, the users and regulators to specify the minimum educational, experience and practicum requirements to verify the level of competency.

12. *Assuming parallel professional non-appraisal experience can be granted, how much credit should be given in lieu of the traditional apprentice model currently in place? For instance, "parallel professional non-appraisal experience may be granted for xx% of the required hours of experience."*

Depending on the type of experience, i.e., real estate broker versus CCIM, the percentage would have to be adjusted. As a base, experience in any of the chosen professions could

allow up to a 60-70% allowance.

13. *Should the percentage of non-appraisal experience allowed be the same for all classifications?*

Non-appraisal experience should form part of the base for credits toward licensing, thereby where additional practicum, USPAP and other courses count towards the licensing.

14. *Should the minimum timeframes during which appraisal experience may be gained be shortened for the Certified Residential and Certified General Classifications?*

The accumulation of hours is too long for residential, which as an entry level would frustrate potential appraisers. We advocate a shortening of the experience hours, and more a shift to the case method of practicum.

15. *Certified Residential is 2,500 hours in not less than 24 months. Should this minimum time frame be shortened, and if so, to what level?*

We advocate a reduction for Certified Residential to be shortened to 1,500 hours in not less than 18 months, with the change in the educational requirement to include concurrent practicum. This is separate from the alternate track for related professions.

16. *Certified General is 3,000 hours in not less than 30 months. Should this minimum time frame be shortened, and if so, to what level?*

Certified General would be 2000 hours in not less than 24 months, along with the above mentioned practicum requirement that is concurrent. This is separate from the alternate track for related professions.

17. *Is there room for a paradigm shift in the real property appraiser credentialing system where applicants for a credential would complete education, pass an examination and receive a credential, then be required to obtain post-credentialing appraisal experience?*

Yes. We advocate the possibility of an educational track, that after the courses are finished (no time limits) would lead to comprehensive exam, whereby passing provides the Certified General (or Residential if they want to limit themselves to that designation) and then be subject to a 12 month probationary period as an appraiser, with work product submitted to the state to be able to renew their license for the next year.

18. *Should the AQB require applicants in such a track to obtain a college degree specifically in real estate or finance?*

Yes. However, for persons who have not completed college, but have related experience, they can prove their competency with sample cases and a exam during a 12 month probationary term.

19. *What are the implications of this from a client perspective in terms of competency, public trust, allowable signatures on reports, etc?*

As long as the competency is established through both experience, practicum, and/or degree, there should not be any unfavorable impact.

20. *What are the implications from a state appraiser regulatory perspective in terms of competency, complaint issues, monitoring, etc?*

If the states want to be part of the solution, there will have to be a participation by them in the event that the above paradigm shift is implemented by reviewing appraiser work to renew.

21. *Could such a system exist in parallel with the current system or should it be an all-or-nothing change?*

We advocate a gradual phase-in of the new paradigm shift in order to overcome any problems, issues, and implementation needs.

22. *Could a multi-day, multi-part “super-exam” be implemented as a substitute for experience?*

As users of appraisals, the experience factor is still important in competency. While examination is useful in assessing knowledge, it does not account for competency through experience.

23. *Would there need to be a subjective grading component (where reasoning and analysis would be reviewed)?*

It would be helpful as part of the total learning experience.

24. *Is this practical to develop and implement?*

Yes.

25. *Should the Licensed Residential Classification be restructured such that it becomes the entry-level classification?*

As users of appraisals, we advocate for a simplification of the appraisal licensing process. It would be preferred to have only two classifications, residential and general, and that designations from accredited organizations allow for further specialization.

26. *What other options exist to address appraisal and/or non-appraisal experience concerns and ensure the health of the appraisal profession without compromising the Public Trust?*

As mentioned above, the standardization of the requirements across jurisdictions and the ability for the internet to be a viable medium for education across all jurisdictions also.