

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

297 NAC Chapter 1

Rule and Regulation Title:

Rules of Practice and Procedure for Negotiated Rulemaking

Brief explanation of the reason for the Rule / Regulation:

These rules are promulgated pursuant to Neb. Rev. Stat. §§ 84-909.01, 84-919.01, and 84-926 through 84-932; and 53 NAC, Chapter 1. The Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. Agencies may adopt regulations which vary from the model rules; however, any agency adopting a rule of procedure that differs from the model rule shall include in the agency's explanatory statement the reasons why the relevant portions of the Attorney General's model rules are impracticable under the circumstances. The purpose of these regulations is to establish a framework for the conduct of negotiated rulemaking consistent with the Administrative Procedure Act and the Negotiated Rulemaking Act. The negotiated rulemaking process can be used by the Real Property Appraiser Board, whenever appropriate, to resolve controversial issues prior to the commencement of formal rulemaking. Negotiated rulemaking is not a substitute for the requirements of the Administrative Procedure Act, but may be used as a supplemental procedure to permit the direct participation of affected interests in the development of new rules or the amendment or repeal of existing rules. The negotiated rulemaking process also does not preclude other Appraiser Board efforts or processes designed to reach consensus with affected or interested persons concerning the content of rules or regulations. A consensus agreement on a proposed rule reached by a negotiated rulemaking committee may be modified by the Appraiser Board as a result of a subsequent formal rulemaking process.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 84-909.01 and 84-919.01; 53 NAC, Chapter 1.

Federal Statute/Mandate – Requires/Authorizes Regulation?

☐ Yes ☒ No

If yes, provide citation(s)

N/A

Would changes require federal review/approval?

☐ Yes ☒ No

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ Yes ☐ No

2. Do the costs of the rule or regulation outweigh the benefits?

☒ Yes ☐ No

If yes, provide explanation:

Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. The Board has not used negotiated rule making in over fifteen years as easier, more efficient ways are available to reach the public for feedback on proposed rules. In addition, the vast majority of rules and regulations changes by the Board are implementing federal requirements.

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☐ Yes ☒ No

4. Has a less restrictive alternative been considered?

☒ Yes ☐ No

If No, provide explanation as to why a less restrictive alternative was not considered:

N/A

5. Was the rule or regulation promulgated as a result of:

☒ State Statutory Requirements ☐ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): Neb. Rev. Stat. §§ 84-909.01, 84-919.01, and 84-926 through 84-932; 53 NAC, Chapter 1.

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

297 NAC Chapter 2

Rule and Regulation Title:

Petitioning for Rule Making

Brief explanation of the reason for the Rule / Regulation:

These rules are promulgated pursuant to Neb. Rev. Stat. §§ 84-909.01 and 84-925; and 53 NAC, Chapter 2. The Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. Agencies may adopt regulations which vary from the model rules; however, any agency adopting a rule of procedure that differs from the model rule shall include in the agency's explanatory statement the reasons why the relevant portions of the Attorney General's model rules are impracticable under the circumstances. The purpose of these regulations is to allow any person to petition the Nebraska Real Property Appraiser Board requesting the promulgation, amendment, or repeal of a rule or regulation.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 84-909.01 and 84-925; 53 NAC, Chapter 2.

Federal Statute/Mandate – Requires/Authorizes Regulation?

☐ **Yes** ☒ **No**

If yes, provide citation(s)

N/A

Would changes require federal review/approval?

☐ **Yes** ☒ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ Yes ☐ No

2. Do the costs of the rule or regulation outweigh the benefits?

☒ Yes ☐ No

If yes, provide explanation:

Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. The Board has not received a petition filed against a rule or regulation; however, such petition could require the Board to enter the rulemaking procedure within sixty days of the petition being filed, which would obligate the Board to substantial employee hours, and costs, to meet the rulemaking requirements in the Administrative Procedure Act for what could be an insignificant or a small number of changes. The Board typically adopts amended rules and regulations each year. The submission of a petition may increase the employee time and costs required for this process.

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☐ Yes ☒ No

4. Has a less restrictive alternative been considered?

☐ Yes ☒ No

If No, provide explanation as to why a less restrictive alternative was not considered:

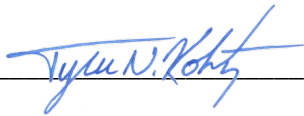
For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances.

5. Was the rule or regulation promulgated as a result of:

☒ State Statutory Requirements ☐ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): Neb. Rev. Stat. §§ 84-909.01 and 84-925; 53 NAC, Chapter 2.

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

297 NAC Chapter 3

Rule and Regulation Title:

Regulations and Procedures Governing Agency Declaratory Orders

Brief explanation of the reason for the Rule / Regulation:

These rules are promulgated pursuant to Neb. Rev. Stat. §§ 84-909.01 and 84-912.01, and 53 NAC, Chapter 3. The Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. Agencies may adopt regulations which vary from the model rules; however, any agency adopting a rule of procedure that differs from the model rule shall include in the agency's explanatory statement the reasons why the relevant portions of the Attorney General's model rules are impracticable under the circumstances. The purpose of these regulations is for the use by any person or entity seeking issuance of a declaratory order by the Real Property Appraiser Board.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 84-909.01 and 84-912.01; 53 NAC, Chapter 3.

Federal Statute/Mandate – Requires/Authorizes Regulation?

☐ **Yes** ☒ **No**

If yes, provide citation(s)

N/A

Would changes require federal review/approval?

☐ **Yes** ☒ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ Yes ☐ No

2. Do the costs of the rule or regulation outweigh the benefits?

☐ Yes ☒ No

If yes, provide explanation:

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☐ Yes ☒ No

4. Has a less restrictive alternative been considered?

☐ Yes ☒ No

If No, provide explanation as to why a less restrictive alternative was not considered:

For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances.

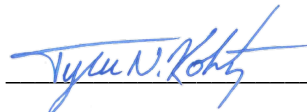
5. Was the rule or regulation promulgated as a result of:

☒ State Statutory Requirements ☐ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): Neb. Rev. Stat. §§ 84-909.01 and 84-912.01; 53 NAC, Chapter 3.

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: _____



Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

297 NAC Chapter 4

Rule and Regulation Title:

Rules of Practice and Procedure for Hearings in Contested Cases Before an Agency

Brief explanation of the reason for the Rule / Regulation:

These rules are promulgated pursuant to Neb. Rev. Stat. §§ 84-909.01 and 84-913 through 84-919, and 53 NAC, Chapter 4. The Attorney General shall promulgate model rules of procedure appropriate for use by as many agencies as possible. For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances. Agencies may adopt regulations which vary from the model rules; however, any agency adopting a rule of procedure that differs from the model rule shall include in the agency's explanatory statement the reasons why the relevant portions of the Attorney General's model rules are impracticable under the circumstances. The purpose of these regulations apply to all contested cases before the Nebraska Real Property Appraiser Board except to the extent that statutes or regulations require a different procedure or standard in a particular case. These regulations shall not create a right of appeal or right to contest a Board action which is not specifically authorized by statute or these regulations.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 84-909.01 and 84-913; 53 NAC, Chapter 4.

Federal Statute/Mandate – Requires/Authorizes Regulation?

☐ **Yes** ☒ **No**

If yes, provide citation(s)

N/A

Would changes require federal review/approval?

☐ Yes ☒ No

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ Yes ☐ No

2. Do the costs of the rule or regulation outweigh the benefits?

☐ Yes ☒ No

If yes, provide explanation:

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☐ Yes ☒ No

4. Has a less restrictive alternative been considered?

☐ Yes ☒ No

If No, provide explanation as to why a less restrictive alternative was not considered:

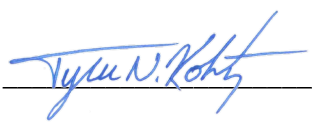
For rules of procedure adopted on or after August 1, 1994, each agency shall adopt as many of the model rules as is practicable under the circumstances.

5. Was the rule or regulation promulgated as a result of:

☒ State Statutory Requirements ☐ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): Neb. Rev. Stat. §§ 84-909.01 and 84-913 through 84-919; 53 NAC, Chapter 4.

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 1

Rule and Regulation Title:

General Provisions

Brief explanation of the reason for the Rule / Regulation:

This rule includes definitions of terms used in Title 298, unless the context otherwise requires, are stated in the Real Property Appraiser Act, Neb. Rev. Stat. § 76-2201 et. seq., the Appraisal Management Company Registration Act, Neb. Rev. Stat. § 76-3201 et. seq., and/or the Uniform Standards of Professional Appraisal Practice. This rule also includes the procedure for any person filing a claim against a surety bond held by an appraisal management company registered in Nebraska, who alleges damage by a violation of the Appraisal Management Company Registration Act; the fee for a Certificate of Registration required under the Nebraska Professional Corporation Act; and acknowledgement that the Board shall apply the Occupational Board Reform Act, Neb. Rev. Stat. § 84-934 et. seq., when administering and enforcing Title 298.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. § 76-2223(1)(m),(n)

Federal Statute/Mandate – Requires/Authorizes Regulation?

☐ **Yes** ☒ **No**

If yes, provide citation(s)

N/A

Would changes require federal review/approval?

☐ **Yes** ☒ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ **Yes** ☒ **No**

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ **Yes** ☐ **No**

4. Has a less restrictive alternative been considered?

☒ **Yes** ☐ **No**

If No, provide explanation as to why a less restrictive alternative was not considered:

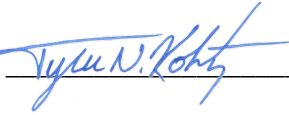
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☐ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 2

Rule and Regulation Title:

Real Property Appraiser Credential

Brief explanation of the reason for the Rule / Regulation:

To qualify for a credential as a trainee real property appraiser, licensed residential real property appraiser, certified residential real property appraiser, or certified general real property appraiser, an applicant must complete post-secondary education and qualifying education requirements established for each classification; is required to complete hours of real property appraisal practice experience established for each classification, or complete a combination of real property appraisal practice experience and/or an AQB-approved Practical Applications of Real Estate Appraisal (PAREA) certified residential program as established for each classification, or complete a combination of real property appraisal practice experience and/or an AQB-approved Practical Applications of Real Estate Appraisal (PAREA) licensed residential program as established for each classification; and shall pass the National Uniform Licensing and Certification Examination, as developed and approved by the Appraiser Qualifications Board of The Appraisal Foundation, prior to being issued a credential by the Board. This rule includes the procedures and qualifications for meeting these requirements. Finally, this rule includes the application procedures and scope of practice for each classification.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2223(1)(m),(n), 76-2227, 76-2228.01, 76-2230, 76-2231.01, and 76-2232

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3341, 12 U.S.C. § 3342, 12 U.S.C. § 3343, 12 U.S.C. § 3345, 12 U.S.C. § 3346, 12 U.S.C. § 3347 and 12 U.S.C. § 3348; the Real Property Appraiser Qualifications Criteria; and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statements 1 and 4.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ **Yes** ☒ **No**

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ **Yes** ☐ **No**

4. Has a less restrictive alternative been considered?

☒ **Yes** ☐ **No**

If No, provide explanation as to why a less restrictive alternative was not considered:

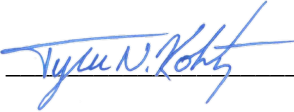
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 3

Rule and Regulation Title:

Reciprocity And Temporary Real Property Appraiser Credential

Brief explanation of the reason for the Rule / Regulation:

To qualify for a credential as a licensed residential real property appraiser, a certified residential real property appraiser, or a certified general real property appraiser through reciprocity, an applicant must be currently credentialed to appraise real estate and real property under the laws of another jurisdiction, and must comply with all of the provisions of the Real Property Appraiser Act and Title 298 relating to the appropriate classification of credentialing. For a nonresident to qualify for a temporary credential as a licensed residential real property appraiser, a certified residential real property appraiser, or a certified general real property appraiser, an applicant must be currently credentialed to engage in real property appraisal practice under the laws of another jurisdiction, and must comply with all of the provisions of the Nebraska Real Property Appraiser Act and Title 298 relating to temporary credentialing. This rule includes the procedures and qualifications for meeting these requirements and making application to the Board.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2223(1)(m),(n), 76-2227, 76-2233, 76-2233.01

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3341, 12 U.S.C. § 3342, 12 U.S.C. § 3343, 12 U.S.C. § 3345, 12 U.S.C. § 3346, 12 U.S.C. § 3347, 12 U.S.C. § 3348, and 12 U.S.C. § 3351; the Real Property Appraiser Qualifications Criteria; and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statements 1, 2, 4 and 5.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ **Yes** ☒ **No**

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ **Yes** ☐ **No**

4. Has a less restrictive alternative been considered?

☒ **Yes** ☐ **No**

If No, provide explanation as to why a less restrictive alternative was not considered:

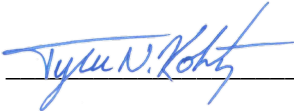
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 4

Rule and Regulation Title:

Real Property Appraiser Credential

Brief explanation of the reason for the Rule / Regulation:

A credential issued under the Nebraska Real Property Appraiser Act other than a temporary credential remains in effect until December 31 of the designated year unless surrendered, revoked, suspended, or canceled prior to such date. A credential, other than a trainee real property appraiser credential, may be renewed for one or two years; the trainee real property appraiser credential remains in effect until December 31 of the second year of the two-year continuing education period. The entire two-year continuing education period must be satisfactorily completed prior to renewing a credential for a two-year period. Every credential holder other than a temporary credential holder must satisfactorily complete no fewer than twenty-eight hours of approved continuing education activities in each two-year continuing education period. Except for the seven-hour National Uniform Standards of Professional Appraisal Practice Continuing Education Course, and the valuation bias and fair housing laws and regulations course, hours may be completed at any time during the two-year continuing education period. This rule includes the procedures and qualifications for meeting these requirements.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2223(1)(m),(n), 76-2227, 76-2233.02, and 76-2236

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3343, 12 U.S.C. § 3345, 12 U.S.C. § 3346, 12 U.S.C. § 3347 and 12 U.S.C. § 3348; the Real Property Appraiser Qualifications Criteria; and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statements 1 and 4.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ **Yes** ☒ **No**

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ **Yes** ☐ **No**

4. Has a less restrictive alternative been considered?

☒ **Yes** ☐ **No**

If No, provide explanation as to why a less restrictive alternative was not considered:

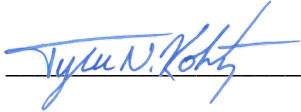
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 5

Rule and Regulation Title:

Real Property Appraiser Inactive Status

Brief explanation of the reason for the Rule / Regulation:

Every credential holder other than a holder of a temporary credential may request that his or her credential be placed on inactive status for a period not to exceed two years. If granted, the inactive status period begins on the date application was approved. If the credential holder's credential expires during the inactive period, and the credential holder fails to reinstate his or her credential prior to the completion of the two-year period, the credential holder may reapply for credentialing, and if so, meet the current requirements in place at the time of application. This rule includes the procedures for meeting this requirement.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2223(1)(m),(n), 76-2233.03

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3345, 12 U.S.C. § 3346, and 12 U.S.C. § 3347; and the Real Property Appraiser Qualifications Criteria.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☐ Yes ☒ No

2. Do the costs of the rule or regulation outweigh the benefits?

☐ Yes ☒ No

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ Yes ☐ No

4. Has a less restrictive alternative been considered?

☐ Yes ☒ No

If No, provide explanation as to why a less restrictive alternative was not considered:

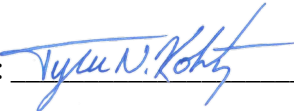
Inactive status provides a real property appraiser the opportunity to maintain his or her credential for a period of time without the credential lapsing, which would require the individual to apply for a new credential and meet the requirements currently in place. There is no less restrictive option available.

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 6

Rule and Regulation Title:

Education Provider Activity Requirements

Brief explanation of the reason for the Rule / Regulation:

This rule includes the minimum standards and procedures for education providers, courses, and instructors that provide qualifying and continuing education to aspiring and active real property appraisers.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. § 76-2223(1)(m),(n)

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3345, 12 U.S.C. § 3346, and 12 U.S.C. § 3347; the Real Property Appraiser Qualifications Criteria; and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statements 1, 4, and 6.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ Yes ☒ No

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ Yes ☐ No

4. Has a less restrictive alternative been considered?

☒ Yes ☐ No

If No, provide explanation as to why a less restrictive alternative was not considered:

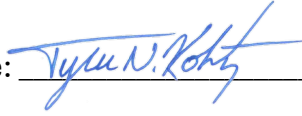
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 7

Rule and Regulation Title:

Appraisal Management Company Registration

Brief explanation of the reason for the Rule / Regulation:

Title XI was amended by the Dodd–Frank Wall Street Reform and Consumer Protection Act signed into law on July 21, 2010, which requires states to register and supervise the operations and activities of appraisal management companies. The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the National Credit Union Administration, the Consumer Financial Protection Bureau, and the Federal Housing Finance Agency, jointly, by rule, established minimum requirements to be applied by states to register and supervise the operations and activities of appraisal management companies; the AMC Rule was adopted on June 9, 2015, with an effective date of August 10, 2018. This rule includes the procedures for applying for initial registration as an appraisal management company, renewal of a registration as an appraisal management company, and for the collection of information from a Federally regulated appraisal management company.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2223(2), 76-3202, 76-3203, 76-3203.02, 76-3205, 76-3207, and 76-3218

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3346, and 12 U.S.C. § 3347; 12 U.S.C. § 3353; The AMC Rule (12 CFR Part 34; 12 CFR Parts 208, 225; 12 CFR Parts 323,390; 12 CFR Part 1026; 12 CFR Part 1222); and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statement 8.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ **Yes** ☒ **No**

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ **Yes** ☐ **No**

4. Has a less restrictive alternative been considered?

☒ **Yes** ☐ **No**

If No, provide explanation as to why a less restrictive alternative was not considered:

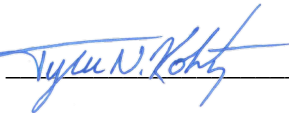
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

Regulation Review Form

(Pursuant to Neb. Rev. Stat. § 84-904)

Agency Name:

Nebraska Real Property Appraiser Board

Responsible Division or Board (if applicable):

N/A

Citation of Rule / Regulation (i.e., 22 NAC Chapter 3)

298 NAC Chapter 8

Rule and Regulation Title:

Investigations And Disciplinary Proceedings

Brief explanation of the reason for the Rule / Regulation:

This rule includes the minimum standards and procedures for investigations and disciplinary proceedings.

Statutory Authority

Nebraska Statute – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

Neb. Rev. Stat. §§ 76-2220, 76-2223(1)(g),(h),(i),(j),(l),(m),(n), 76-2223(2), 76-2236.01, 76-2237, 76-2238, 76-2239, 76-2240, 76-2246, 76-3208, 76-3210, 76-3216, 76-3217, 76-3218, 76-3220

Federal Statute/Mandate – Requires/Authorizes Regulation?

☒ **Yes** ☐ **No**

If yes, provide citation(s)

12 U.S.C. § 3346, 12 U.S.C. § 3347, and 12 U.S.C. § 3353; and Appraisal Subcommittee of the Federal Financial Institutions Examination Council Policy Statements 1, 7, and 10.

Would changes require federal review/approval?

☒ **Yes** ☐ **No**

Review Questions (Statutory Criteria)

1. Is the rule or regulation essential to the health, safety, or welfare of the public?

☒ **Yes** ☐ **No**

2. Do the costs of the rule or regulation outweigh the benefits?

☐ Yes ☒ No

If yes, provide explanation:

N/A

3. Does the agency have a process in place to measure the effectiveness of the rule or regulation?

☒ Yes ☐ No

4. Has a less restrictive alternative been considered?

☒ Yes ☐ No

If No, provide explanation as to why a less restrictive alternative was not considered:

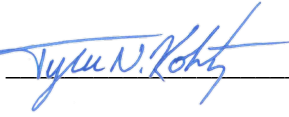
N/A

5. Was the rule or regulation promulgated as a result of:

☐ State Statutory Requirements ☒ Federal Statute/Mandate ☐ Court Decision

Provide citation(s): N/A

Name of Agency Review Designee: Tyler Kohtz

Signature of Agency Review Designee: 

*Unofficial ASC staff version of
Title XI of FIRREA
Real Estate Appraisal Reform [12 U.S.C. §§ 3331-3355]
as amended by the Dodd-Frank Act*

Full text of the Dodd-Frank Act at
<http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

§ 1101. Purpose [12 U.S.C. § 3331]

The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

§ 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council [12 U.S.C. § 3310]

The Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended by adding at the end thereof the following new section:

§ 1011. Establishment of Appraisal Subcommittee

There shall be within the Council a subcommittee to be known as the Appraisal Subcommittee, which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession. At all times at least one member of the Appraisal Subcommittee shall have demonstrated knowledge and competence through licensure, certification, or professional designation within the appraisal profession.

§ 1103. Functions of Appraisal Subcommittee [12 U.S.C. § 3332]

(a) *In general.* The Appraisal Subcommittee shall--

(1) monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and

(B) for the registration and supervision of the operations and activities of an appraisal management company;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies [and the Resolution Trust Corporation] with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require

the services of a State licensed appraiser;
(3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;

(4) [Omitted] terminated effective May 15, 2000, pursuant to § 3003 of Act Dec. 21, 1995, P.L. 104-66, which appears as 31 USCS § 1113 note (see also page 170 of House Document No. 103-7);

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance; and

(6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

(b) *Monitoring and reviewing foundation* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

§ 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings [12 U.S.C. § 3333]

(a) *Chairperson.* The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.

(b) *Meetings; quorum; voting.* The Appraisal Subcommittee shall meet in public session after notice in the Federal Register, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports at the call of the Chairperson or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal Subcommittee shall be made by the vote of a majority of its members. The subject matter discussed in any closed or executive session shall be described in the Federal Register notice of the meeting.

§ 1105. Officers and staff [12 U.S.C. § 3334]

The Chairperson of the Appraisal Subcommittee shall appoint such officers and staff as may be necessary to carry out the functions of this title consistent with the appointment and compensation practices of the Council.

§ 1106. Powers of Appraisal Subcommittee [12 U.S.C. § 3335]

The Appraisal Subcommittee may, for the purpose of carrying out this title, establish advisory committees, hold hearings, prescribe regulations in accordance with chapter 5 of title 5, *United States Code* (commonly referred to as the Administrative Procedures Act) after notice and

opportunity for comment, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate. Any regulations prescribed by the Appraisal Subcommittee shall (unless otherwise provided in this title) be limited to the following functions: temporary practice, national registry, information sharing, and enforcement. For purposes of prescribing regulations, the Appraisal Subcommittee shall establish an advisory committee of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies, and hold meetings as necessary to support the development of regulations.

§ 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers [12 U.S.C. § 3336]

Appraisal standards and requirements for using State certified and licensed appraisers in federally related transactions pursuant to this title shall be prescribed in accordance with procedures set forth in section 553 of title 5, United States Code, including the publication of notice and receipt of written comments or the holding of public hearings with respect to any standards or requirements proposed to be established.

§ 1108. Startup funding [12 U.S.C. § 3337]

(a) *In general.* For purposes of this title, the Secretary of the Treasury shall pay to the Appraisal Subcommittee a one-time payment of \$ 5,000,000 on the date of the enactment of this Act [enacted Aug. 9, 1989]. Thereafter, expenses of the subcommittee shall be funded through the collection of registry fees from certain certified and licensed appraisers pursuant to section 1109 [12 USCS § 3338] or, if required, pursuant to section 1122(b) of this title [12 USCS § 3351(b)].

(b) *Additional funds.* Except as provided in section 1122(c) of this title [12 USCS § 3351(b)], funds in addition to the funds provided under subsection (a) may be made available to the Appraisal Subcommittee only if authorized and appropriated by law.

(c) *Repayment of Treasury loan.* Not later than September 30, 1998, the Appraisal Subcommittee shall repay to the Secretary of the Treasury the unpaid portion of the \$5,000,000 paid to the Appraisal Subcommittee pursuant to this section.

§ 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees [12 U.S.C. § 3338]

(a) *In general.* Each State with an appraiser certifying and licensing agency whose certifications and licenses comply with this title, shall—

- (1) transmit to the Appraisal Subcommittee, no less than annually, a roster listing individuals who have received a State certification or license in accordance with this title;
 - (2) transmit reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, license and certification revocations, and license and certification suspensions on a timely basis to the national registry of the Appraisal Subcommittee;
 - (3) transmit reports on a timely basis of supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and disciplinary actions taken;
- and

(4) collect—

(A) from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$40, such fees to be transmitted by the State agencies to the Council on an annual basis; and

(B) from an appraisal management company that either has registered with a State appraiser certifying and licensing agency in accordance with this title or operates as a subsidiary of a federally regulated financial institution, an annual registry fee of—

(i) in the case of such a company that has been in existence for more than a year, \$25 multiplied by the number of appraisers working for or contracting with such company in such State during the previous year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title; and

(ii) in the case of such a company that has not been in existence for more than a year, \$25 multiplied by an appropriate number to be determined by the Appraisal Subcommittee, and where such number will be used for determining the fee of all such companies that were not in existence for more than a year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title.

Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees under paragraph (4)(A), up to a maximum of \$80 per annum, as necessary to carry out its functions under this title. The Appraisal Subcommittee shall consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. In implementing any change in registry fees, the Appraisal Subcommittee shall provide flexibility to the States for multi-year certifications and licenses already in place, as well as a transition period to implement the changes in registry fees. In establishing the amount of the annual registry fee for an appraisal management company, the Appraisal Subcommittee shall have the discretion to impose a minimum annual registry fee for an appraisal management company to protect against the under reporting of the number of appraisers working for or contracted by the appraisal management company.

(b) *Use of amounts appropriated or collected.* Amounts appropriated for or collected by the Appraisal Subcommittee under this section shall be used—

(1) to maintain a registry of individuals who are qualified and eligible to perform appraisals in connection with federally related transactions;

(2) to support its activities under this title;

(3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month startup period following the date of the enactment of this title [enacted Aug. 9, 1989];

(4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards;

(5) to make grants to State appraiser certifying and licensing agencies, in accordance with



FEDERAL REGISTER

Vol. 80

Tuesday,

No. 110

June 9, 2015

Part II

Department of the Treasury

Office of the Comptroller of the Currency

12 CFR Part 34

Federal Reserve System

12 CFR Parts 208 and 225

Federal Deposit Insurance Corporation

12 CFR Parts 323 and 390

Bureau of Consumer Financial Protection

12 CFR Part 1026

Federal Housing Finance Agency

12 CFR Part 1222

Minimum Requirements for Appraisal Management Companies; Final Rule

DEPARTMENT OF THE TREASURY**Office of the Comptroller of the Currency****12 CFR Part 34**

[Docket No. OCC–2014–0002]

RIN 1557–AD64

FEDERAL RESERVE SYSTEM**12 CFR Parts 208 and 225**

[Docket No. R–1486]

RIN 7100–AE15

FEDERAL DEPOSIT INSURANCE CORPORATION**12 CFR Parts 323 and 390**

RIN 3064–AE10

BUREAU OF CONSUMER FINANCIAL PROTECTION**12 CFR Part 1026**

RIN 3170–AA44

FEDERAL HOUSING FINANCE AGENCY**12 CFR Part 1222**

RIN 2590–AA61

Minimum Requirements for Appraisal Management Companies

AGENCIES: Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (FHFA).

ACTION: Final rule.

SUMMARY: The OCC, Board, FDIC, NCUA, Bureau, and FHFA (collectively, the Agencies) are adopting a final rule to implement the minimum requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) to be applied by participating States in the registration and supervision of appraisal management companies (AMCs). The final rule also implements the minimum requirements in the Dodd-Frank Act for AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency (Federally regulated AMCs). Under the final rule, these Federally regulated AMCs do not need to register with a

State, but are subject to the same minimum requirements as State-regulated AMCs. The final rule also implements the requirement for States to report to the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) the information required by the ASC to administer the new national registry of AMCs (AMC National Registry). In conjunction with this implementation, the FDIC is integrating its appraisal regulations for State nonmember banks and State savings associations.

DATES: *Effective date.* This final rule will become effective on August 10, 2015.

Compliance date: Federally regulated AMCs must comply with the minimum requirements for providing appraisal management services under 12 CFR 34.215(a) no later than 12 months from the effective date of this final rule. The participating State or States in which a State-regulated AMC operates will establish the compliance deadline for State-regulated AMCs.

FOR FURTHER INFORMATION CONTACT:

OCC: Robert L. Parson, Appraisal Policy Specialist, (202) 649–6423, G. Kevin Lawton, Appraiser (Real Estate Specialist), (202) 649–7152, Mitchell E. Plave, Special Counsel, Legislative and Regulatory Activities Division, (202) 649–5490, for persons who are deaf or hard of hearing, TTY, (202) 649–5597, or Christopher Manthey, Special Counsel, Bank Activities and Structure Division, (202) 649–5500.

Board: Carmen Holly, Supervisory Financial Analyst, Division of Banking Supervision and Regulation, at (202) 973–6122, or Walter McEwen, Senior Counsel, Legal Division, at (202) 452–3321, Board of Governors of the Federal Reserve System, Washington, DC 20551.

FDIC: Beverlea S. Gardner, Senior Examination Specialist, Division of Risk Management and Supervision, at (202) 898–3640, Sandra S. Barker, Senior Policy Analyst, Division of Depository and Consumer Protection, at (202) 898–3915, Mark Mellon, Counsel, Legal Division, at (202) 898–3884, or Benjamin K. Gibbs, Senior Regional Attorney, at (678) 916–2458, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, DC 20429.

NCUA: John Brolin or Pamela Yu, Staff Attorneys, Office of General Counsel, at (703) 518–6540, or Vincent Vieten, Program Officer, Office of Examination and Insurance, at (703) 518–6360, or 1775 Duke Street, Alexandria, Virginia, 22314.

Bureau: Owen Bonheimer, Counsel, Office of Regulations, and David Friend,

Counsel, Office of Regulations, 1700 G Street NW., Washington, DC 20552, at (202) 435–7000.

FHFA: Robert Witt, Senior Policy Analyst, Office of Housing and Regulatory Policy, (202) 649–3128, or Ming-Yuen Meyer-Fong, Assistant General Counsel, Office of General Counsel, (202) 649–3078, Federal Housing Finance Agency, 400 Seventh Street SW., Washington, DC 20024.

SUPPLEMENTARY INFORMATION:**I. Background***AMC Minimum Requirements*

Section 1473 of the Dodd-Frank Act¹ added a new section 1124 to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989² (FIRREA) that established minimum requirements to be applied by States in the registration and supervision of AMCs. An AMC is an entity that serves as an intermediary for, and provides certain services to, creditors.³ These minimum requirements apply to States that have elected to establish, pursuant to section 1117 of FIRREA,⁴ an appraiser certifying and licensing agency with authority to register and supervise AMCs (participating States). Section 1473 of the Dodd-Frank Act⁵ also requires the ASC to maintain an AMC National Registry, which will include AMCs that are either registered with, and subject to supervision by, a State appraiser certifying and licensing agency or are subsidiaries owned and controlled by a Federally regulated insured depository institution and regulated by a Federal financial institutions regulatory agency.⁶ Section 1124(e) further requires the Agencies to promulgate regulations for the reporting of the activities of AMCs to the ASC in determining the payment of the annual fee for the AMC National Registry.⁷

Pursuant to FIRREA section 1124, the Agencies must establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on

¹ Public Law 111–203, 124 Stat. 1376.

² Public Law 101–73, 103 Stat. 183.

³ The term “appraisal management company” is defined in more detail in section 1121(11) of Title XI of FIRREA, 12 U.S.C. 3350(11), and in § 34.211(c) of this final rule.

⁴ 12 U.S.C. 3346.

⁵ Hereafter, section references are to Title XI of FIRREA, unless otherwise noted.

⁶ 12 U.S.C. 3332(a)(6).

⁷ 12 U.S.C. 3353(e). See also FIRREA section 1109(a)(3), 12 U.S.C. 3338(a)(3) (requiring States to submit reports to the ASC concerning supervisory activities involving AMCs). This final rule does not implement section 1109(a)(3); this section of FIRREA is implemented by the ASC.

AMCs doing business in the State.⁸ Specifically, pursuant to section 1124(a), participating States must require that AMCs: (1) Register with, and be subject to supervision by, the State appraiser certifying and licensing agency in the State or States in which the company operates; (2) verify that only State-certified or State-licensed appraisers are used for Federally related transactions;⁹ (3) require that appraisals comply with the Uniform Standards of Professional Appraisal Practice (USPAP); and (4) require that appraisals are conducted in accordance with the statutory valuation independence standards pursuant to the Truth in Lending Act (TILA) (15 U.S.C. 1639e) and its implementing regulations.¹⁰ An AMC that is a subsidiary owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency is subject to all of the minimum requirements, except the requirement to register with a State.¹¹

In participating States, the minimum requirements apply to any AMC that provides appraisal management services, as defined in the final rule, and meets the statutory panel size threshold, which is that the AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers in two or more States in a calendar year or 12-month period under State law. States may establish requirements for AMC registration and supervision that are in addition to these minimum requirements.¹²

Pursuant to section 1124(f), beginning 36 months from the effective date of this final rule, an AMC that meets the statutory size threshold may not provide services for a Federally related transaction in a State unless the AMC is registered with the State or is subject to oversight by a Federal financial institutions regulatory agency.¹³ This provision effectively allows each State up to three years to establish registration and supervision systems that meet the

requirements of the final rule before AMCs in the State will be subject to the aforementioned restriction in the absence of such a regime. The ASC, with the approval of the FFIEC, may delay the restriction for an additional year if the ASC makes a written finding that a State has made substantial progress toward implementation of a system that meets the criteria in Title XI of FIRREA.¹⁴ Even after the three-year implementation period has passed, a State may still elect to establish a regime, at which point AMCs operating in the State would be able to provide appraisal management services for Federally related transactions.

Section 1124 does not compel a State to establish an AMC registration and supervision program, nor is a penalty imposed on a State that does not establish a regulatory structure for AMCs within 36 months of issuance of this final rule.¹⁵ However, in a State that has not adopted the AMC minimum requirements established by this rule, AMCs are barred by section 1124 from providing appraisal management services for Federally related transactions, unless they are owned and controlled by a Federally regulated depository institution.¹⁶ Thus, appraisal management services may still be provided for Federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted previously, by Federally regulated AMCs.¹⁷

On April 9, 2014, the Agencies published a proposed rule to implement the minimum requirements under FIRREA section 1124 for registration and supervision of AMCs, with a 60-day public comment period.¹⁸ With certain changes to the proposed rule, this final rule implements the statutory requirements discussed above, as well as section 1124's requirements for the reporting of the activities of AMCs in determining the payment of the annual registry fee.¹⁹ The final rule is being published in the Code of Federal

Regulations separately by the OCC, the Board, the FDIC, and the FHFA. The Bureau is publishing a cross-reference to the OCC rule text in the valuation independence provisions of Regulation Z, 12 CFR 1026.42, to highlight that the final rule specifically reinforces the valuation independence standards. The rules are not different substantively. The implementation of the AMC minimum requirements does not affect the responsibility of banks, Federal savings associations, State savings associations, bank holding companies, and credit unions to ensure that appraisals for their institutions comply with applicable laws and regulations and are consistent with supervisory guidance. If these regulated financial institutions use an AMC to engage appraisers on their behalf, the AMC must be acting as an agent for these institutions.²⁰

Consolidation of FDIC and OTS Rules on Appraisals

Title III of the Dodd-Frank Act transferred the powers, duties, and functions formerly performed by the Office of Thrift Supervision (OTS), the Federal entity formerly responsible for the supervision of Federally insured savings associations and their holding companies, to the FDIC for State savings associations and authorized the FDIC to consolidate OTS and FDIC rules.²¹ The final rule implements this authority by rescinding the OTS regulatory provisions on appraisals pertaining to State savings associations, as these entities are now covered by the FDIC's appraisal rules.²²

II. The Final Rule

The final rule: (1) Establishes the minimum requirements in section 1124 of FIRREA for State registration and supervision of AMCs in participating States; (2) requires Federally regulated AMCs to meet the minimum requirements of section 1124 (other than registering with the State); and (3) requires States to report certain AMC information to the ASC.²³ The final rule also integrates FDIC appraisal regulations for State nonmember banks and State savings associations.

For the reasons discussed in section III of this **SUPPLEMENTARY INFORMATION**,

²⁰ See OCC: 12 CFR 34.45(b)(1); Board: 12 CFR 225.65(b)(1); FDIC: 12 CFR 323.5(b)(1); and NCUA: 12 CFR 722.5(b)(1).

²¹ The OTS was abolished on October 19, 2011, pursuant to the Dodd-Frank Act.

²² Title III of the Dodd-Frank Act transferred supervision of Federal savings associations to the OCC. The OCC recently integrated the OTS and OCC rules on appraisals. See 79 FR 28393 (May 16, 2014) (integrating certain interagency rules for national banks and Federal savings associations).

²³ See 12 U.S.C. 3353(a), (c), and (e).

⁸ 12 U.S.C. 3353(a).

⁹ Under FIRREA, a Federally related transaction is a real estate related financial transaction that involves an insured depository institution regulated by the OCC, Board, FDIC, or NCUA and that requires the services of an appraiser under the interagency appraisal rules. See 12 U.S.C. 3350(4), implemented by the OCC: 12 CFR 34.42(f) and 34.43(a); Board: 12 CFR 225.62(f) and 225.63(a); FDIC: 12 CFR 323.2(f) and 323.3(a); and NCUA: 12 CFR 722.2(f) and 722.3(a).

¹⁰ 12 U.S.C. 3353(a). For regulations implementing TILA section 129E, 15 U.S.C. 1639e, see 12 CFR 226.42 (Board) and 12 CFR 1026.42 (Bureau).

¹¹ 12 U.S.C. 3353(c).

¹² 12 U.S.C. 3353(b).

¹³ 12 U.S.C. 3353(f)(1).

¹⁴ 12 U.S.C. 3353(f)(2).

¹⁵ 12 U.S.C. 3353.

¹⁶ See FIRREA section 1124(f)(1), 12 U.S.C. 3353(f)(1). Under section 1124(c), this restriction will not apply to AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency. 12 U.S.C. 3353(c). Such AMCs are subject to all the requirements of section 1124, with the exception of the requirement to register with a State. See *id.*

¹⁷ See FIRREA section 1121(11), 12 U.S.C. 3350(11).

¹⁸ 79 FR 19521 (Apr. 9, 2014).

¹⁹ 12 U.S.C. 3353(e). See also 12 U.S.C. 3338(a)(4) (setting out the fee structure for the AMC National Registry).

the final rule adopts the rule substantially as proposed, with modifications to: (1) Provide that the standard for determining whether an appraiser is an independent contractor will be based on how the appraiser is treated for Federal income taxes, as determined under Internal Revenue Service (IRS) guidance; (2) clarify that an AMC credit union service organization (CUSO) is not considered to be a Federally regulated AMC, and therefore would be regulated by the State or States in which the AMC CUSO operates; (3) clarify that the rule does not bar the use of trainee appraisers; (4) provide that the registration limitations on individuals who have had their licenses refused, denied, cancelled, surrendered in lieu of revocation, or revoked, should not be construed to apply to appraisers whose licenses have been revoked for nonsubstantive reasons, as determined by the appropriate State appraiser certifying and licensing agency and whose licenses have been subsequently reinstated; (5) revise the provision on reporting of information by Federally regulated AMCs to clarify that Federally regulated AMCs will report information required for the AMC National Registry directly to the States; and (6) remove cross-references to provisions of Regulation Z, 12 CFR part 1026 (Truth in Lending), in the proposed definitions. The Agencies are generally adopting the relevant text of the cross-referenced Regulation Z provisions, in lieu of the cross-references. The final rule also contains technical, nonsubstantive changes.

III. The Final Rule and Public Comments on the Proposed Rule

The following is a section-by-section review of the proposed rule and a discussion of the public comments received by the Agencies concerning the proposal. The Agencies received 256 comment letters containing 89 unique comments in response to the published proposal. These comment letters were received from State appraiser certifying and licensing agencies, AMCs, appraiser trade and professional associations, appraisal firms, appraisers, financial institutions, consumer/community groups and individual commenters. For ease of reference, unless otherwise noted, the **SUPPLEMENTARY INFORMATION** refers to section numbers in the proposed and final rule texts for the OCC, 12 CFR 34.210 *et seq.* Rule text for the other Agencies is published separately in this **Federal Register** notice at 12 CFR 208.50 and 225.190 *et seq.* (Board); 12 CFR 323.8 *et seq.*

(FDIC); and 12 CFR 1222.20 *et seq.* (FHFA).

A. Section 34.211. Definitions

The Agencies requested comment on the key definitions in the proposed rule. The following is a discussion of these key definitions, related public comments, and issues relating to those definitions. Definitions on which the Agencies did not receive comment are not discussed below and are adopted without change in the final rule.

1. Cross-References to Other Regulations

The Agencies are adopting changes to definitions for which cross-references to Regulation Z, 12 CFR part 1026, were used in the proposed rule. Specifically, the Agencies are removing most cross-references and adopting the relevant text of the cross-referenced provisions directly (*see* § 34.211(g) (defining “consumer credit”), § 34.211(i) (defining “creditor”), and § 34.211(m) (defining “person”). In addition, the Agencies are defining the term “dwelling” in § 34.211(j) by adopting the text of the definition of “dwelling” in 12 CFR 1026.2(a)(19), which was included in the proposed definition of “principal dwelling” (*see* proposed § 34.211(m)). In new § 34.211(j)(2), the Agencies are retaining the explanation of “principal dwelling” that was provided in the proposed rule.²⁴ (*See* proposed § 34.211(m)). This explanation is based on Official Interpretation 12 CFR 1026.2(a)(24)–3. The Agencies are adopting these changes in the final rule to simplify the rule and relieve regulatory burden on States. Substituting the text of these definitions for cross-references mitigates the potential obligations of States to update, clarify, or amend State law or its interpretations as Regulation Z is amended over time, or if the numbering of definitions in Regulation Z changes.²⁵

2. Section 34.211(c): Appraisal Management Company; Section 34.211(d): Appraisal Management Services

Proposed § 34.211(c) defined an AMC as a person that: (1) Provides appraisal management services to creditors or secondary mortgage market participants; (2) provides these services in connection with valuing the consumer’s

principal dwelling as security for a consumer credit transaction (including consumer credit transactions incorporated into securitizations); and (3) within a given year, oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States. The proposed definition cross-referenced proposed § 34.212 for the rules on how to calculate the numeric threshold for the appraiser panel.

Proposed § 34.211(d) defined “appraisal management services,” which is a key component of the definition of “appraisal management company,” to mean one or more of the following: (1) Recruiting, selecting, and retaining appraisers; (2) contracting with State-certified or State-licensed appraisers to perform appraisal assignments; (3) managing the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary mortgage market participants, collecting fees from creditors and secondary mortgage market participants for services provided, and paying appraisers for services performed; and (4) reviewing and verifying the work of appraisers. This definition is consistent with the appraisal management services outlined in the definition of AMC in section 1121.²⁶ As in section 1121, the proposed definition of appraisal management services did not include performing appraisals, nor does the definition of appraisal management services adopted in this final rule.²⁷

a. Commercial Transactions and the Definition of AMC

Consistent with the statutory definition of AMC, the proposed definition of AMC applied to appraisal management services provided in connection with residential mortgage transactions secured by the consumer’s principal dwelling and securitizations involving those mortgages. The proposed rule did not extend to appraisal management services provided in connection with commercial real estate transactions or securitizations involving commercial real estate mortgages.²⁸

In drafting the definition of AMC for the proposal, the Agencies considered whether the statutory definition of AMC in section 1121 should be construed to

²⁴ *See* proposed §§ 34.211(m) and 34.211(j)(2).

²⁵ These changes also should avoid any inadvertent confusion created by referring to Regulation Z, which includes additional exemptions that are not included in these regulations, such as for transactions meeting the Regulation Z definition of consumer credit transaction secured by a principal dwelling, but used to purchase a 3–4 unit owner-occupied rental property.

²⁶ *See* 12 U.S.C. 3350(11).

²⁷ *See id.*

²⁸ 12 U.S.C. 3350(11).

encompass not only appraisal management services provided for securitizations of consumer purpose residential mortgages, but also appraisal services in connection with securitizations of commercial mortgages.²⁹ The Agencies proposed the former. The Agencies' reading of the statute—that it extends only to consumer purpose residential mortgage transactions and securitizations of those mortgages—is consistent with the text of section 1124 and with the Dodd-Frank Act as a whole.³⁰ Non-residential or commercial mortgages are not mentioned in any AMC provisions in section 1473 of the Dodd Frank Act (or elsewhere in Title XIV of the Dodd-Frank Act). The lack of a reference to commercial mortgage lending in the relevant Dodd-Frank Act provisions suggests that AMCs were not intended to be covered by the AMC minimum requirements when they are providing appraisal management services for underwriters or other principals in commercial mortgage securitizations. Moreover, the Agencies understand that individual appraisers, as opposed to AMCs, are more typically retained to provide an appraisal of properties securing commercial mortgage loans (and securitizations of such loans) because of the size and complexity of those properties. This understanding is based on the supervisory experience of the Agencies as well as outreach during the proposed rule process to a trade association for AMCs and an individual AMC, which confirmed that, under the current business model, AMCs do not generally provide services in connection with commercial mortgages.

The Agencies received a small number of comments concerning whether an AMC's services for commercial mortgage transactions should be covered by the final rule. Several commenters supported the proposal to exclude commercial real estate transactions from the definition of AMC. One commenter disagreed, stating that both commercial and consumer transactions should be covered by the rule, but did not elaborate.

The Agencies continue to believe that commercial real estate transactions should be excluded from the definition of AMC based on the reasons outlined above. As such, the definition of AMC in the final rule includes entities only when they are providing appraisal management services for consumer

mortgage transactions secured by the consumer's principal dwelling and securitizations of those loans.

b. "External Third Party" Within the Definition of AMC

Section 1121 defines an AMC as any "external third party" authorized to take certain actions by a creditor of a consumer credit transaction secured by the consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets.³¹ Consistent with the statutory definition, the proposal defined the term "appraisal management company" to exclude a department or division of an entity if the department or division provides appraisal management services only to that entity. This reflects the Agencies' interpretation that a department or a division of an entity is not an "external third party" as required by the statute. Under the proposed rule, an AMC that is an affiliate (rather than a department or division) of a creditor or secondary market principal would, however, be treated as an AMC, even if the AMC provides appraisal management services only to the entity with which it is affiliated, because the affiliate is a separate legal entity.

The Agencies believe that this interpretation of the term "external third party" is consistent with the plain meaning of "external" and "third party," as well as with section 1124(c), which provides that the requirements of section 1124 would apply to AMCs that are owned and controlled by financial institutions.³² In the Agencies' view, this interpretation is also consistent with section 1124 as a whole, which is directed at regulating parties that provide appraisal management services on behalf of creditors and secondary market principals, but does not regulate creditors or secondary market principals directly.³³

The Agencies received one comment on this topic, which supported the exclusion of departments and divisions from the definition of AMC. The Agencies are adopting in the final rule the proposed approach to "external third party."

c. Uniformity and the Definition of AMC

The Agencies received a number of comments suggesting that the Agencies require all participating States to adopt the definition of AMC in the proposed rule. Several commenters also stated that reducing burden for AMCs would reduce costs for consumers. As a legal

basis for this position, one commenter noted that the definition of AMC is statutory, and therefore should be binding on all the participating States.

The Agencies agree that the definition of AMC in section 1121 sets the uniform minimum standards for assessing whether an entity is an AMC under this rule.³⁴ Under the proposed rule, a participating State would be required to treat an entity as an AMC if the entity provides services described in the definition and meets the statutory panel size threshold. As such, pursuant to section 1121 and the proposed rule, a participating State could not revise the definition of AMC to eliminate or limit the range of services that would classify an entity as an AMC with respect to the minimum requirements in the rule. Similarly, a State could not void the statutory panel size threshold that triggers the minimum requirements by, for example, adopting an AMC law that provides that an entity is an AMC only if it has 50 or more appraisers on its nationwide panel.³⁵ Thus, all States electing to establish an AMC regulatory program under the rule would have a uniform minimum scope as to coverage of their program.

While the Agencies understand the commenters' desire for uniformity, FIRREA section 1124(b) recognizes expressly the authority of States to adopt requirements in addition to those in the final rule: "Nothing in this section [1124] shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection(a)[by the Agencies]."³⁶ Therefore, the Agencies decline to require all participating States to adopt a uniform definition of AMC.

d. "Portals" Within the Definition of AMC

The Agencies received one comment from an entity that provides appraisal related services through electronic mechanisms, described as a "portal" business model. The commenter requested that the Agencies address the question of whether a portal is an AMC.

The Agencies do not support a categorical rule in this regard. The business model an entity uses to provide services should not be

²⁹ While it is clear that the definition of AMC encompasses only residential mortgage loans, there is some question as to whether the definition includes securitizations of commercial mortgages.

³⁰ 12 U.S.C. 3353.

³¹ 12 U.S.C. 3350(11).

³² 12 U.S.C. 3353(c).

³³ 12 U.S.C. 3353.

³⁴ 12 U.S.C. 3350(11). This rule establishes "minimum" requirements for a State to apply in registering AMCs. Thus, the Agencies interpret the rule of construction in FIRREA section 1124(b) to recognize that States may adopt requirements that exceed those in the rule, for example, defining AMC to cover more entities than would be covered under the minimum requirements of this rule. 15 U.S.C. 3353(b).

³⁵ 12 U.S.C. 3350(11).

³⁶ 12 U.S.C. 3353(b).

determinative of whether the entity is an AMC; rather, if a portal is providing appraisal management services, and meets the other elements of the definition, then it should be considered an AMC under the final rule. Thus, the final rule does not limit or affect the discretion of States to treat a portal as an AMC if a State finds that a portal provides appraisal management services.

e. Distinction Between AMCs and Appraisal Firms

In the proposal, the Agencies addressed whether appraisal firms should be considered AMCs pursuant to sections 1124 and 1121(11)³⁷ and requested comment on whether the distinction between employees and independent contractors served as a basis for excluding appraisal firms from the definition of an AMC. (See Question 3 in the proposal.) The technical distinction between independent contractors and employees, for purposes of determining whether an entity meets the statutory panel size thresholds, is addressed in the section-by-section analysis of § 34.212 (Appraiser Panel), which discusses how to calculate the number of appraisers on a panel. The following is a discussion of the comments on the broader issue of whether the proposal appropriately excluded appraisal firms from the scope of the rule.

A number of commenters supported the proposal to construe section 1124 as applying only to AMCs or hybrid entities (discussed in detail below) and not to appraisal firms. These commenters stated that the business models of AMCs and appraisal firms are different. Under the different business models, according to these commenters, employees of appraisal firms perform appraisals, while AMCs contract for appraisal services, but do not perform appraisals. Another set of commenters argued that appraisal firms should be covered by the rule. The basis for this argument was the commenters' assertion that there is no substantive distinction between AMCs, which hire others to perform appraisals, and appraisal firms, which generally hire appraisers as employees.

As discussed in the preamble to the proposed rule, the Agencies interpret section 1124 to distinguish between AMCs and appraisal firms for three key reasons.³⁸ First, the distinction between appraisal firms and AMCs is reflected in section 1472 of the Dodd-Frank Act, which added provisions concerning

valuation independence to TILA.³⁹ These provisions contemplate expressly that certain entities would not be covered by the AMC minimum requirements in FIRREA section 1124 and describe this type of entity, in pertinent part, as one that “utilizes the services of State licensed or certified appraisers and receives a fee for performing appraisals in accordance with the Uniform Standards of Professional Appraisal Practice.”⁴⁰ The Agencies understand that the type of entity described here as excluded from the AMC minimum requirements is an appraisal firm, which receives fees for directly performing appraisals. Second, FIRREA section 1124 uses the term “appraisal management company,” and not appraisal firm.⁴¹ Third, section 1121(11) describes the activities of AMCs as including “contracting with State-certified or State-licensed appraisers to perform appraisal assignments,” but not directly performing appraisals.⁴² Section 1121(11) also defines an AMC as an entity that “oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally (meaning two or more States) within a given year . . .”⁴³ By contrast, the Agencies understand that appraisal firms perform appraisals as a primary function directly through employees and do not oversee a “network or panel” of non-employee appraisers.

As stated in the proposal, the Agencies believe that the fundamental reasons to distinguish between AMCs and appraisal firms are that the business models of AMCs and appraisal firms are different and that Congress expressed an intention to exclude entities operating on an appraisal firm model from coverage by the AMC minimum requirements. This conclusion is consistent with the fact that AMCs provide appraisal management services to third parties, including retaining appraisers to perform appraisals, but AMCs do not perform appraisals. By contrast, appraisal firms perform appraisals using one or more of the firm's employees or partners. In addition, appraisal firms typically hire a

limited number of appraisers, based on identified need, and hire inexperienced trainees and train them to become qualified appraisers. AMCs, on the other hand, generally have a large number of pre-approved appraisers in their network or panel who are available, as independent contractors, for potential assignments and do not conduct training for inexperienced appraisers.

f. Hybrid Entities

In the proposal, the Agencies discussed the possibility that there are, or may be in the future, “hybrid” entities, meaning entities that both hire appraisers as employees to perform appraisals and engage independent contractors to perform appraisals. In this situation, the entity could be considered both an AMC and an appraisal firm. As such, under the proposed rule, the hybrid entity would be treated as an AMC for purposes of State registration if it meets the statutory panel size threshold (of overseeing more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States within a given year). Under the proposal, the numerical calculation of panel size for hybrid entities would only include appraisers engaged as independent contractors.

Some commenters supported the proposed treatment of firms that have both employee appraisers and independent contractor appraisers. One commenter suggested that the Agencies should not recognize a hybrid firm as a valid business model, but did not elaborate. The Agencies adopt in the final rule the proposed definition of AMC and the proposed treatment of hybrid firms. The Agencies continue to believe that sections 1124 and 1121(11) are best interpreted to apply only to AMCs, as defined in the proposed and final rules, and not to appraisal firms (with the exception of hybrid firms). In addition to the statutory distinction between appraisal firms and AMCs, the Agencies believe this interpretation is consistent with, and supported by, the key distinction between AMCs and appraisal firms—that the former contracts with appraisers to perform appraisals, while the latter performs appraisals directly through employees. Even if some services provided by AMCs and appraisal firms overlap, which some commenters assert, this key difference between the two entities (that AMCs contract with appraisers to perform appraisals and appraisal firms perform appraisals directly through their own employees) remains. The final rule also reflects the definition of “appraisal management company” in

³⁹ See TILA section 129F, 15 U.S.C. 1639e.

⁴⁰ 15 U.S.C. 1639e(i)(2) (emphasis added); see also 12 U.S.C. 3353. A “fee appraiser” is defined in TILA section 129E, 15 U.S.C. 1639(e)(i), as a person who: (1) Is not an employee of a loan originator or AMC engaging the appraiser; (2) performs an appraisal in compliance with USPAP; and (3) is a company [an appraisal firm] not subject to the requirements of section 1124 (minimum requirements for AMCs, 12 U.S.C. 3353) and that receives a fee for performing appraisals.

⁴¹ *Id.*

⁴² 12 U.S.C. 3350(11).

⁴³ 12 U.S.C. 3350(11).

³⁷ 12 U.S.C. 3353 and 3350(11).

³⁸ 12 U.S.C. 3353.

section 1121(11), which provides that an AMC is an entity that “oversees a network or panel” of appraisers.⁴⁴ Appraisal firms do not oversee networks or panels of non-employee appraisers.

The Agencies also continue to believe that recognition of hybrid firms as AMCs is appropriate when the entity maintains a panel of appraisers that includes independent contractors meeting the threshold minimum numbers pursuant to § 34.212. The Agencies believe that this interpretation of the definition of AMC is consistent with the statutory language and purpose, appropriately reflects the business models of AMCs, and accommodates the possibility that appraisal firms may evolve over time. For these reasons, the Agencies adopt in the final rule the proposed definition of AMC and the proposed treatment of hybrid firms.

3. Section 34.211(e) Appraiser Panel

The Agencies are adopting the proposed definition of “appraiser panel” with minor clarifications. Specifically, proposed § 34.211(e) defined an appraiser network or panel as a network of State-licensed or State-certified appraisers who are independent contractors to an AMC. In the final rule, “appraiser panel” is defined as a network, list or roster of licensed or certified appraisers approved by the AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC’s “appraiser panel” under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments and appraisers engaged by the AMC to perform one or more appraisals. The final rule also clarifies in the definition of “appraiser panel” that an appraiser is an independent contractor for purposes of this rule if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

a. Distinction Between Employees and Independent Contractors in Determining Panel Membership

The definition of “appraisal management company” in section 1121(11) provides that an entity will be treated as an AMC subject to State registration if it has an “appraiser network or panel” of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers nationally (meaning two or more States) within a given year.⁴⁵ Section 1121(11) does not specify

whether a “network or panel” consists of employees of an AMC or independent contractors retained by the AMC (or both). However, by including only independent contractors with the AMC, the proposed and adopted definition of “appraiser panel” reflects the approach taken by the majority of States that have adopted AMC registration laws or have proposed AMC laws⁴⁶ and reflects the Agencies’ understanding that AMCs typically engage appraisers as independent contractors under the current AMC business model.⁴⁷ Section 34.211(e) also reflects the definition of AMC in section 1121(11), which outlines typical tasks carried out by AMCs, including as “contract[ing] with licensed and certified appraisers.”⁴⁸ As discussed above in the section-by-section analysis of § 34.211(c), the definition of AMC and its description of appraisal management services does not include directly performing appraisals through the AMC’s own employees—rather, AMCs contract with external third parties to perform appraisals.⁴⁹

The method for calculating whether an entity has an “appraiser network or panel” of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers nationally (meaning two or more States) within a calendar year or 12-month period under State law is discussed further under the section-by-section analysis of § 34.212, below.

The Agencies requested comment on the proposed definition of “appraiser panel” and on the alternative of defining this term to include employees as well as independent contractors. (See

Question 2 in the proposal.) Some commenters argued that employees as well as independent contractor appraisers should be counted as part of an appraiser network or panel. These commenters did not disagree with the Agencies’ understanding that AMCs generally use independent contractors rather than employee appraisers. Nor did the commenters address the key distinction between AMCs and appraisal firms, which is that AMCs primarily engage third parties to perform appraisals, whereas appraisal firms perform appraisals directly through employees.

As discussed above in the section-by-section analysis of § 34.211(c), the commenters argued that appraisal firms should be regulated as AMCs as a matter of policy. As such, these commenters suggested that the distinction between employee and independent contractor appraisers be removed from the rule. In support of this position, the commenters stated that appraisal firms and AMCs provide substantially the same services, and therefore should both be covered by the AMC registration and supervision programs.

Other commenters agreed with the employee-independent contractor distinction, stating that defining “appraiser panel” to be comprised only of independent contractor appraisers reflects the difference between the AMC and appraisal firm business models. Specifically, these commenters stated that appraisal firms’ employees perform appraisals directly, while AMCs provide appraisal management services and engage third-party appraisers to perform appraisals.

The Agencies adopt in the final rule the proposed definition of “appraiser panel,” which includes only appraisers who are independent contractors to an AMC. The Agencies note the predominance of comments in favor of retaining the employee-independent contractor distinction. The final rule also reflects that the commenters who opposed the proposed employee-independent contractor distinction effectively conceded that the distinction is accurate, arguing instead that AMCs and appraisal firms should both be regulated as AMCs under section 1124 and implementing State laws, regardless of the way these entities structure their operations.⁵⁰ This larger policy question is addressed above in the discussion of the distinction between employees and independent contractors as a basis for exclusion of an appraisal firm from the definition of an AMC. See the section-by-section analysis of § 34.211(c)

⁴⁶ A majority of States with AMC laws define “appraiser panel” as being comprised of independent contractors. See, e.g., N.C. Gen. Stat. section 93E–2–2 (defining an appraiser panel as a network or panel of appraisers who are independent contractors to the AMC); Vernon’s Tex. Code Ann. Occupations Code section 1104.003(b)(3) (same); Louisiana La. Rev. Stat. Ann. section 37:3415.2(a) (same); see also Ohio (draft code) (same). A minority of States use a broader definition for “appraiser panel” that encompasses a combination of independent contractors and employees. See, e.g., Cal. Bus. & Prof. Code section 11302 (defining AMC to include both independent contractors and employees); Ark. Code Ann. section 17–14–402(2) (same); Ky. Rev. Stat. section 324A.150(2)(same). The majority approach is consistent with the model AMC code offered by a trade association for appraisers and the minority approach is consistent with a model code offered by a trade association for AMCs.

⁴⁷ As discussed in the proposal, this understanding is based on outreach conducted by the Agencies with associations that represent AMCs and appraisers, as well as outreach with State appraiser certifying and licensing agencies.

⁴⁸ 12 U.S.C. 3350(11).

⁴⁹ The Agencies will monitor AMCs to assess whether they are hiring appraisers as part-time employees to avoid State registration requirements. Outreach with State officials before the issuance of the proposed rule did not indicate this is currently occurring or at significant risk of occurring.

⁵⁰ 12 U.S.C. 3353.

⁴⁴ 12 U.S.C. 3350(11).

⁴⁵ 12 U.S.C. 3350(11).

(definition of AMC), above. Moreover, the treatment of hybrid firms will help address the potential that a firm may try to avoid the requirements of the rule by using a combination of appraisers who are employees and appraisers who are independent contractors.

b. Definition of Independent Contractor

The Agencies requested comment on whether the term “independent contractor” should be defined, and if so why and how, including whether it should be defined based on Federal law by using the standards or guidance issued by the IRS or standards adopted in other Federal regulations, such as those issued under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act),⁵¹ or left to State law. (See Question 2 in the proposal.) A number of commenters requested that the final rule include a definition of independent contractor, or that the rule incorporate an external definition, for example, IRS guidance on the employee-independent contractor distinction or the definition of independent contractor in the SAFE Act. In addition, these commenters stated that it would be desirable to have a standard for independent contractor that applies in all participating States. The commenters stated a preference for using IRS guidance for this purpose. One commenter disagreed, suggesting that a single definition of the term independent contractor is not needed.

The Agencies believe that additional guidance on the meaning of “independent contractor” under the final rule facilitates compliance and, therefore, are amending the proposed definition of appraiser panel accordingly. As noted, the definition of appraiser panel in § 34.211(e) provides that that an appraiser is deemed an “independent contractor” for purposes of this rule if the appraiser is treated as such by the AMC for purposes of Federal income taxation.⁵²

⁵¹ 12 CFR 1008.23 (“Independent contractor means an individual who performs his or her duties other than at the direction of and subject to the supervision and instruction of an individual . . .”) (emphasis added). The SAFE Act was enacted as part of the Housing and Economic Recovery Act of 2008, Pub. L. 110–289, Division A, Title V, sections 1501–1517, 122 Stat. 2654, 2810–2824 (July 30, 2008), codified at 12 U.S.C. 5101–5116.

⁵² For guidance on how to determine whether an appraiser is an employee or independent contractor, see IRS Publication 1779, “Independent Contractor or Employee,” available at <http://www.irs.gov/pub/irs-pdf/p1779.pdf> and IRS Publication 15–A, “Employer’s Supplemental Tax Guide,” at p. 7 et seq. (discussing factors for distinguishing employees from independent contractors), available at <http://www.irs.gov/pub/irs-pdf/p15a.pdf>.

4. Section 34.211(h): Covered Transaction

Proposed § 34.211(h) defined a covered transaction as any consumer credit transaction secured by the consumer’s principal dwelling. The proposed definition did not limit the definition of “covered transaction” to Federally related transactions (generally, credit transactions involving a Federally regulated depository institution, see 12 U.S.C. 3350(4)), even though Title XI of FIRREA and its implementing regulations have applied historically only to appraisals for Federally related transactions.

As stated in the proposed rule, defining “covered transaction” to include all consumer credit transactions secured by the consumer’s principal dwelling reflects the statutory text of section 1121(11), which defines the term “appraisal management company,” as in pertinent part, “any external third party authorized either by a creditor of a consumer credit transaction secured by the consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets.”⁵³

Applying coverage of the AMC rule beyond Federally related transactions is consistent with the structure and text of other parts of section 1124, most of which address appraisals generally rather than appraisals only for Federally related transactions. For example, section 1124(a)(2) specifies that only licensed or certified appraisers are to be used for “federally related transactions,” but sections 1124(a)(3) and (a)(4) apply to “appraisals” generally.⁵⁴ In particular, the text of section 1124(a)(4) indicates that one of the chief purposes of the minimum requirements for AMCs is to ensure compliance with the valuation independence standards established pursuant to section 129E of TILA.⁵⁵ Those standards apply to AMCs whenever they engage in a consumer credit transaction secured by the consumer’s principal dwelling, regardless of whether the transaction is a Federally related transaction.⁵⁶

For these reasons, the proposed rule provided that the minimum requirements in participating States would apply to all entities that meet the definition of AMC in providing appraisal management services related to consumer credit transactions secured by the consumer’s principal dwelling

⁵³ 12 U.S.C. 3350(11).

⁵⁴ See 12 U.S.C. 3353(a)(2) (3) and (4).

⁵⁵ 12 U.S.C. 3353(a)(4).

⁵⁶ See 15 U.S.C. 1639e(a) (defining scope); 12 CFR 1026.42(b)(1)–(2) (implementing regulations defining scope).

for both Federally related transactions and non-Federally related transactions.

The Agencies received one comment that supported the proposed definition of “covered transaction.” The Agencies are adopting it in the final rule as proposed. As such, a covered transaction is defined to mean any consumer credit transaction secured by the consumer’s principal dwelling. For the reasons discussed above in describing the proposed definition, the Agencies have determined the final rule should not limit the definition of “covered transaction” to consumer credit transactions secured by the consumer’s principal dwelling that are Federally related transactions.

5. Section 34.211(k): Federally Regulated AMCs

Section § 34.211(k) defines a “Federally regulated AMC” as an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, and regulated by the OCC, the Board, the NCUA, or the FDIC. This definition differs from the proposed definition only in that the reference to the NCUA is removed, for reasons discussed below.

Under section 1124(c), an AMC that is a subsidiary owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency⁵⁷ is not required to register with a State.⁵⁸ Proposed § 34.211(j) defined an entity of this type as a “Federally regulated AMC,” meaning an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, and regulated by the OCC, the Board, the NCUA, or the FDIC. Under section 1124(c), a Federally regulated AMC must follow the minimum requirements that are applicable to a State-registered AMC (other than the requirement to register with a State) and is subject to supervision for compliance with these requirements by the appropriate Federal financial institutions regulatory agency. In addition, under section 1124(e), as

⁵⁷ The term “Federal financial institutions regulatory agencies” means the Board, the FDIC, the OCC, the former OTS, and the NCUA. 12 U.S.C. 3350(6). Title III of the Dodd-Frank Act provides that the OCC is now the Federal financial institutions regulatory agency for Federal savings associations. Title III of the Dodd-Frank Act also provides that the FDIC is the Federal financial institutions regulatory agency for State savings associations. Finally, the Dodd-Frank Act provides that the Board is responsible for regulation of savings and loan holding companies.

⁵⁸ 12 U.S.C. 3353(c).

implemented by the proposed rule, AMCs, including Federally regulated AMCs, must report to the participating State or States in which they operate the information required to be submitted by the State to the ASC for administration of the AMC National Registry. These requirements are discussed further in the section-by-section analysis of § 34.215, below.

In the proposal, the Agencies discussed whether an AMC that is a subsidiary owned and controlled by a credit union (credit union service organization or “CUSO”) would be considered a Federally regulated AMC, and thus exempt from State registration and supervision. The Agencies indicated that an AMC, even if owned and controlled by a credit union, would not be a Federally regulated AMC because the NCUA, unlike the other banking agencies involved in this rulemaking, does not directly oversee or regulate CUSOs. Instead, the authority that the NCUA exercises over CUSOs is through its regulations that permit Federal credit unions to invest in, or lend to, CUSOs.⁵⁹ For these reasons, under the proposed rule, if an AMC were owned and controlled by a credit union (whether owned by a State or Federally chartered credit union) it would not be considered to be regulated by a Federal financial institutions regulatory agency. As such, the AMC CUSO would be required to be registered in accordance with applicable State requirements in participating States.⁶⁰

The Agencies requested comment on whether references to the NCUA and insured credit unions should be removed from the definition of “Federally regulated AMC” and other parts of the final rule to clarify that an AMC CUSO would be subject to State registration and supervision. (See Question 4 in the proposal.) Some commenters expressed concern that the references to the NCUA and credit unions in the proposed regulatory text were confusing and suggested that removing these references in the final rule would clarify that AMC CUSOs are subject to State registration and supervision.

To provide clarification in the final rule, the Agencies removed references to NCUA and credit unions from pertinent

portions of the regulatory text defining “Federally regulated AMC.” An AMC owned and controlled by a credit union (whether owned by a State or Federally chartered credit union) is not considered to be regulated by a Federal financial institutions regulatory agency under the final rule. As such, AMC CUSOs are required to register in accordance with applicable State requirements.

6. Section 34.211(n): Secondary Mortgage Market Participant

In the proposed rule, the Agencies defined “secondary mortgage market participant” to implement the statutory definition of AMC, which refers to an entity that performs services authorized by “an underwriter of or other principal in the secondary mortgage markets.”⁶¹ Proposed § 34.211(n) defined “secondary mortgage market participant” to mean a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. The definition included individual investors in a mortgage-backed security only if they also serve in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

Most commenters supported the proposed definition of “secondary mortgage market participant.” Some commenters indicated that the definition is clear and needs no further additions or clarifications at this time, but could at some future date to reflect evolving conditions. One commenter believed that the definition is sufficiently understandable for States to be able to write statutes and rules to enforce the intent of the rule. Another commenter suggested that the definition of “secondary market participant” is too narrow, and that any bank or creditor involved in lending Federally insured funds in a transaction secured by real estate (commercial or residential) should be considered a secondary market participant.

Commenters did not provide any specific suggestions for revising the proposed definition of secondary mortgage market participant. As with other aspects of the proposed rule, the Agencies understand that changes in the marketplace may, at some point, require the Agencies to amend the final rule, or may require States to amend or re-interpret State laws. The Agencies continue to believe, however, that the definition of secondary mortgage market participant is accurate at present. Regarding the comment that banks or creditors lending Federally insured

funds should be included, the Agencies note that the statutory definition of AMC distinguishes between “creditors” and “secondary mortgage market participants,”⁶² and therefore believe that including originating banks or creditors in the definition of “secondary mortgage market participants” would be inconsistent with this distinction in the statutory definition. The Agencies in the final rule adopt the proposed definition of secondary mortgage market participant.

B. Section 34.212: Appraiser Panel—Annual Size Calculation

1. Determining Appraiser Panel

Section 34.212 finalizes proposed § 34.212 without change, other than revising the title from “Appraiser Panel” to “Appraiser Panel—Annual Size Calculation,” for clarity. Section 34.212 sets out criteria for determining whether, within a calendar year or 12-month period specified by State law, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States. Consistent with the proposal, pursuant to § 34.212(a), an appraiser is deemed part of the AMC’s appraiser panel as of the earliest date the AMC accepts the appraiser for consideration for future appraisal assignments in covered transactions or engages the appraiser to perform one or more appraisal assignments on behalf of a creditor or secondary mortgage market participant in a covered transaction, including an affiliate of such a creditor or participant. Also consistent with the proposal, pursuant to § 34.212(b), an appraiser who is considered to be part of the AMC’s appraiser panel is deemed to remain on the panel until: (1) The date on which the AMC sends written notice to the appraiser removing the appraiser from the appraiser panel; (2) the date the AMC receives written notice from the appraiser asking to be removed from the appraiser panel; or (3) the date the AMC receives notice of the death or incapacity of the appraiser. If an appraiser is removed from an AMC’s appraiser panel, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the appraiser’s removal, the removal would be deemed not to have occurred, and the appraiser would be deemed to have been part of the AMC’s appraiser panel without interruption. The Agencies included

⁵⁹ See 12 CFR part 712 (outlining requirements relating to credit union investments in CUSOs).

⁶⁰ As noted in the preamble to the proposed rule, the NCUA has not, historically, asserted that CUSOs or their employees are exempt from applicable State registration and licensing regimes. See 75 FR 44656, 44659 (applying similar reasoning to the licensing of mortgage loan originators who were employees of CUSOs under the SAFE Act).

⁶¹ 12 U.S.C. 3350(11).

⁶² 12 U.S.C. 3350(11).

these procedural provisions to give States clarity and prevent circumvention of the registration requirement.

The Agencies received a wide variety of comments relating to the calculation of appraiser panel membership under Question 2 of the proposal. Some commenters suggested that the approach in the proposal, which would count appraisers either engaged to perform appraisals or pre-approved to do so, would result in the unintended consequence of limiting the number of appraisers in AMC networks or panels. These commenters argued that pre-approved appraisers who have not yet been engaged by the AMC for an assignment should not be counted. They argued that the proposed method of counting appraisers would provide a strong incentive for AMCs to limit significantly the size of networks or panels, given that the AMC National Registry fee will be determined based on the number of appraisers on an AMC's network or panel of appraisers. The commenters stated that, to reduce costs, AMCs would likely reduce the size of appraiser panels if the proposed method of counting appraisers were adopted as final.

As background, the commenters explained that AMCs maintain large panels of pre-approved appraisers in order to offer timely appraisal services in a wide variety of areas, including smaller communities and rural areas where appraisers are engaged less often than in more populated communities. The commenters noted that, if the AMCs reduce panels to actively engaged appraisers, then real estate transactions in small communities and rural areas will take more time because AMCs would not typically have pre-approved appraisers readily available for this type of assignment.⁶³ For these reasons, the commenters requested that the Agencies modify the proposed method of counting appraisers in an AMC's network or panel to include only appraisers who are actually engaged to perform an appraisal during a 12-month period.

The Agencies understand the commenters' concerns relating to the panel membership and the potential for AMCs to reduce their appraiser networks or panels to reduce ASC fees. The Agencies are also cognizant of, and concerned about, the potential adverse effects this may have on small communities and rural areas. However,

for several reasons, the Agencies decline to amend the rule such that only appraisers actually given assignments in a particular year will be counted as being on the panel. First, the Agencies interpret sections 1124 and 1121(11) to mean that the counting of appraisers in determining whether an entity is subject to the AMC minimum requirements does not control or affect the counting of appraisers for purposes of payment of the AMC National Registry fee.⁶⁴ Therefore, this final rule does not address or require the collection or calculation of these fees. Section 34.212 of the rule implements FIRREA section 1121(11) and governs how to count the number of appraisers on a panel *only* for purposes of whether an entity is an AMC subject to the AMC minimum requirements of this final rule, either as an AMC registered with a State that adopts these requirements or as a Federally regulated AMC.⁶⁵ The rule requires AMCs to provide information to the State or States in which they operate, to be used in determining the payment of the annual AMC National Registry fee, but does not address or control how to calculate the number of appraisers on a network or panel for purposes of determining the fee. The AMC National Registry fee provisions pertaining to the calculation, assessment, and collection of the fee are addressed in FIRREA section 1109(a), which is enforced and administered by the ASC, not by the Agencies pursuant to section 1124.⁶⁶ As such, it is the ASC, and not the Agencies in this rulemaking, that will determine how to calculate and pay the AMC National Registry fee.

Second, the statute that the Agencies are charged with implementing expressly defines an AMC with reference to the number of appraisers that the AMC "oversees" on a "network or panel" in a given year, not only on the number of appraisers to which it actually gives assignments.⁶⁷ While commenters speculate that this approach to defining the number of appraisers that an AMC oversees on a network or panel may lead to efforts to

evade the definition, the alternative approach suggested by commenters of relying only on the number of appraisers actually used during a 12-month period will also encourage evasion attempts. This alternative would allow AMCs to accumulate relationships with large numbers of independent contractors, advertise this breadth of coverage, and evade the rule by managing the actual use of appraisers through the year.

The Agencies will monitor the effect of the rule and the definition of AMC for evasion and revisit the rule to the extent appropriate and permitted by statute in light of future developments.

2. Section 34.212(d): Annual Period for Counting Appraisers on AMC Panel

Proposed § 34.212(d) provided two options to States for calculating the number of appraisers on an entity's panel for determining whether the entity meets the minimum thresholds for designation as an AMC. The first was the 12-month calendar year and the second was any other 12-month period set by a State. One commenter suggested that, to promote uniformity, all States should be required to use the calendar year for determining whether an entity has the requisite number of appraisers on its panel to qualify as an AMC.

Under the proposed rule, States would have the flexibility to align the 12-month period for determining AMC status with their AMC registration calendars, which may, or may not, be based on the calendar year. In this regard, the Agencies are aware that many States already do not use a calendar year for their existing appraiser registration process. The Agencies believe that allowing states to set the 12-month period provides appropriate flexibility and will help States comply with the minimum requirements and reduce regulatory burden for State governments. Thus, the Agencies adopt § 34.212(d) in the final rule without change.

C. Section 34.213: Appraisal Management Company Registration

1. Section 34.213(a): Minimum Requirements for Participating States

Under proposed § 34.213(a), adopted without change in this final rule, participating States must have a licensing program in place within the State appraiser certifying and licensing agency that has the authority to: (1) Review and approve or deny an AMC's application for initial registration; (2) review and renew or refuse to renew an AMC's registration periodically; (3) examine the books and records of an

⁶³ One commenter, a coalition of three AMCs, stated the process of approving an appraiser for a panel typically requires from one week at a minimum to a month.

⁶⁴ 12 U.S.C. 3350(11) (defining an AMC subject to the minimum requirements as, in pertinent part, an entity with a "network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally (meaning two or more States) within a given year." 12 U.S.C. 3350(11). The provision of the statute relevant to determining the registry fee is in section 1109(a)(4)(B), which provides that the fee is based on the number of appraisers "working for or contracting with [an AMC] in [a] state during the previous year." FIRREA section 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

⁶⁵ 12 U.S.C. 3350(11).

⁶⁶ 12 U.S.C. 3338(a), 3353.

⁶⁷ FIRREA section 1121(11), 12 U.S.C. 3350(11) (defining AMC).

AMC operating in the State and require the AMC to submit reports, information, and documents to the State; (4) verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable; (5) conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders; (6) discipline, suspend, terminate, and refuse to renew the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and (7) report to the ASC an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations.

These authorities and mechanisms reflected the Agencies' interpretation of the provisions of section 1124(a), including the minimum requirement in section 1124(a)(1) that AMCs be "subject to supervision" by the State appraiser certifying and licensing agency.⁶⁸ The Agencies interpret section 1124(a) as being consistent with the criteria outlined in FIRREA sections 1103, 1109, and 1118(a), which describe the elements of State regulation of AMCs that will be monitored by the ASC.⁶⁹ For example, the ASC is responsible for monitoring whether States have supervision systems in place that would allow a State to process complaints against an AMC and conduct investigations in connection with those complaints.⁷⁰ The ASC is also responsible for monitoring whether a State takes appropriate enforcement actions against an AMC that is found to have violated applicable laws and regulations.⁷¹ Consistent with the interpretation stated in the proposal, the Agencies continue to believe that these

requirements are consistent with the enforcement and supervision authorities underlying an effective regulatory program and will ensure that State appraiser certifying and licensing agencies have the required structures for the registration and supervision of AMCs.

2. Section 34.213(b): Minimum Requirements for State-Registered AMCs

The Agencies are adopting proposed § 34.213(b) without change. Section 34.213(b) implements FIRREA sections 1121(11) and 1124 and provides that participating States must require State-registered AMCs to follow certain minimum requirements when AMCs provide appraisal management services for a creditor or "underwriter of or other principal in the secondary mortgage markets" that are related to a covered transaction.⁷² Pursuant to the minimum requirements in § 34.213(b), an AMC (other than a Federally regulated AMC) is required to register with, and be subject to supervision by, a State appraiser certifying and licensing agency in each State in which the AMC operates. In addition, States must require AMCs to verify that only State-certified or State-licensed appraisers are used when a creditor or secondary mortgage market participant engages in a transaction that requires the services of a State-certified or State-licensed appraiser under the Federally related transaction regulations. A State also must require registered AMCs to have processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who has the requisite education, expertise, and experience to complete competently the assignment for the particular market and property type. This minimum requirement implements the requirement of section 1124(a)(2)⁷³ and emphasizes a core principle of the Agencies' FIRREA appraisal regulation and the Interagency Appraisal and Evaluation Guidelines, which is that an appraiser must not only be State credentialed and competent generally, but also have specific competency to perform a particular appraisal assignment.⁷⁴

In addition, States must require an AMC to establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with: (1) The AMC's obligations as a covered person with respect to mandatory reporting, conflicts of interest, and other acts or practices that would violate valuation independence pursuant to section 129E(a) through (i) of TILA; and (2) the AMC's obligations as a creditor's agent with respect to appraiser compensation pursuant to section 129E(i) of TILA, 15 U.S.C. 1639e(i).⁷⁵

As noted in the proposed rule, the AMC minimum standards do not affect the responsibility of banks, Federal savings associations, State savings associations, bank holding companies, and credit unions for compliance with applicable regulations and guidance concerning appraisals. Under the interagency appraisal rules, for example, if an appraisal is prepared by a fee appraiser (as opposed to in-house, by the institution), the appraiser must be engaged directly by the regulated institution or its agent, and have no direct or indirect interest, financial or otherwise, in the property or the transaction.⁷⁶ As stated in the Interagency Appraisal and Evaluation Guidelines, an institution that engages a third party, such as an AMC, to administer any part of the institution's appraisal program remains responsible for compliance with applicable laws concerning appraisers and appraisals.⁷⁷

The Agencies requested comment on the proposed minimum requirements for State registration and supervision of AMCs. (See Question 6 in the proposal.) The Agencies also asked related questions concerning appraisal review standards and potential challenges States may encounter under the proposed minimum requirements for State registration and supervision of AMCs. (See Questions 7 through 11 in the proposal.) The following is a summary of these comments, followed by the response from the Agencies.⁷⁸

⁷⁵ See 12 CFR 226.42 (Board); 12 CFR 1026.42 (Bureau).

⁷⁶ 12 CFR 34.45 and 164.5 (OCC); 12 CFR 225.65 (Board); 12 CFR 323.5 (FDIC); 12 CFR 722.5 (NCUA).

⁷⁷ See Interagency Appraisal and Evaluation Guidelines, 75 FR 77450, 77463 (discussing third-party arrangements).

⁷⁸ The Agencies received many comments on Question 6 concerning the proposed minimum requirements for State registration and supervision of AMCs. Commenters were generally supportive of the proposed requirements. However, the commenters made several observations and expressed concerns with the proposed requirements.

⁶⁸ 12 U.S.C. 3353(a). As stated in the proposal, the Agencies view section 1124 as allowing the Agencies to establish more specific requirements for supervision and registration of AMCs that implement the general requirements enumerated in section 1124(a). *Id.* In addition, by providing that the regulation shall "include" the requirements enumerated in section 1124, the statute implies that the Agencies have the discretion to establish additional supervisory standards for State oversight of AMCs consistent with the general requirements specifically enumerated in section 1124(a). *Id.*

⁶⁹ See 12 U.S.C. 3332(a)(1)(B) (requiring the ASC to monitor requirements established by the States for supervision of AMCs); 12 U.S.C. 3338(a) (requiring each participating State to transmit reports to the ASC on supervisory activities involving AMCs and disciplinary actions taken); and 12 U.S.C. 3347(a) (requiring the ASC to monitor States to assess whether a State has an effective regulatory program).

⁷⁰ See FIRREA section 1103(a)(1)(B), 12 U.S.C. 3332(a)(1)(B).

⁷¹ See FIRREA sections 1109(a)(3) and 1118(a)(4), 12 U.S.C. 3338(a)(3) and 3347(a)(4).

⁷² 12 U.S.C. 3350(11), 3353.

⁷³ 12 U.S.C. 3353(a)(2).

⁷⁴ See 12 CFR 34.46(b) (OCC); see also Interagency Appraisal and Evaluation Guidelines, 75 FR 77450, 77458 (December 10, 2010); Appraisal Standards Board, Uniform Standards of Professional Appraisal Practice, Appraiser Competency Rule (2014–2015), available at The Appraisal Foundation, <https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=TAF&WebCode=USPAP> (requiring that an appraiser have specific competency for the appraisal assignment).

For the reasons explained below, the Agencies adopt proposed § 34.213 on AMC registration without change in the final rule.

a. Appraisal Review

The Agencies requested comment on the proposal to defer consideration of appraisal review standards to a separate rulemaking. (See Question 7 in the proposal). Some commenters agreed with the Agencies that appraisal review standards should be addressed in a separate rulemaking. Other commenters suggested that there are many pressing questions concerning appraisal review standards and that this rulemaking should therefore incorporate such standards.

In drafting the minimum requirements for State registration and supervision of AMCs, and the definition of appraisal management services discussed previously, the Agencies considered whether to require AMCs to follow minimum standards when performing appraisal reviews. This question was presented by section 1121(11), which includes appraisal review as one of the types of appraisal management services performed by AMCs.⁷⁹ In considering this question, the Agencies noted that FIRREA section 1110 requires a separate rulemaking regarding the requirement that, for Federally related transactions, appraisals shall be subject to “appropriate” review for compliance with USPAP.⁸⁰ As stated in the proposal, the Agencies believe that a rulemaking to implement section 1110 provides the appropriate opportunity to address the requirement for appraisal reviews.⁸¹ For this reason, the proposed minimum standards for AMCs did not include appraisal review standards.

Commenters identified issues that may be appropriate for consideration in a rulemaking pursuant to FIRREA section 1110(3), but did not address why those standards are more appropriately addressed in the context of this rulemaking rather than in a separate rulemaking to implement section 1110(3).⁸² The Agencies continue to believe that addressing appraisal review issues more comprehensively in a separate rulemaking is appropriate, rather than doing so in a limited way as part of the AMC rule. The appraisal review standard of section 1110(3) applies to all

regulated financial institutions subject to the appraisal rules of the Federal financial institution regulatory agencies, not just appraisals for which one of those firms uses an AMC to engage an appraiser. In addition, most commenters supported a separate rulemaking on appraisal review standards. For these reasons, consistent with the proposal, the final rule does not contain appraisal review standards.

b. Barriers to Implementation of AMC Minimum Requirements

The Agencies also asked about whether any barriers existed for States in implementing the proposed AMC minimum requirements. (See Question 8 in the proposal). In response, the Agencies received several comments indicating concern that States might not have adequate funding or resources to implement or enforce the proposed rule. Other commenters expressed the view that the requirement to establish authorities and mechanisms to examine the books and records of an AMC could be subject to different interpretations by each State, and that the Agencies’ expectations should be clarified. A third set of commenters indicated additional guidance is needed on the expectations for States engaging in examinations of AMCs. One commenter believed that States should be given the option to register AMCs for longer than a period of one year. See proposed § 34.212 (requiring an annual count of appraisers on an entity’s panel to determine whether the entity is subject to State registration requirements pursuant to the proposed rule). The commenter indicated that many States allow appraiser registration for longer periods and that doing so for AMCs might facilitate implementation of the rule by States.

The Agencies are aware of, and sensitive to, the adequacy of participating States’ resources to supervise AMCs in the manner contemplated by FIRREA section 1124. It is the Agencies’ understanding, however, that many States that have already established AMC laws and registration programs have collected fees from AMCs, in part to offset the costs of the registration and supervision programs, using authority under State law. Nothing in this rule would prevent these States, or States that choose to become participating States, from continuing to charge fees to AMCs in the future.⁸³ The Agencies also note that

the registration and supervision of AMCs is voluntary, and that a State may elect not to establish such a program for any reason, including if its resources do not support such a program.

With respect to the request that the Agencies set standards for State supervision of AMCs, the Dodd-Frank Act section 1473 amended FIRREA to confirm clearly the States’ ability to exercise registration and supervisory capacities over AMCs, which the State can exercise using its own discretion, based on the individual State’s enforcement priorities.⁸⁴ As such, the Agencies leave supervisory standards to the discretion of the States and to the ASC, which is charged under Title XI of FIRREA with evaluating the efficacy of State registration and supervision of AMCs.

Regarding the request that States be able to register AMCs for longer than a year, the Agencies defer to individual States, but note that the requirement for an annual count of appraisers on an entity’s panel is statutory. Specifically, the definition of AMC in FIRREA section 1121(11) bases whether an entity is an AMC on the number of appraisers on an entity’s panel “within a given year.”⁸⁵ Regarding whether a two-year AMC National Registry fee collection program is permissible or feasible, the Agencies defer to the ASC, which administers the relevant portion of FIRREA.⁸⁶ Specifically, FIRREA section 1109(a)(4) requires States to submit AMC fees for the AMC National Registry to the ASC annually.⁸⁷

While the registration fee cycle is dictated by section 1109(a)(4), any additional licensing fees or any other associated fees charged by the State can be charged based on the State’s determination of an appropriate cycle.⁸⁸ The Agencies do not see a need to make any changes from the proposed version of the rule to clarify the annual registration cycle requirement in the final rule.

c. Trainee Appraisers

The Agencies received one comment on the requirement that States must verify that the appraisers on an AMC’s panel hold valid States licenses and certifications (see proposed § 34.213(a)(4)). This commenter expressed concern that the requirement

appraisers for administering national appraiser registration for many years.

⁷⁹ 12 U.S.C. 3350(11).

⁸⁰ FIRREA section 1110(3), 12 U.S.C. 3339(3).

⁸¹ 12 U.S.C. 3339(3).

⁸² 12 U.S.C. 3339(3).

⁸³ This approach is consistent with the States’ approach to registering appraisers. The Agencies understand that State appraiser certifying and licensing agencies have collected fees from

⁸⁴ 12 U.S.C. 3346.

⁸⁵ 12 U.S.C. 3350(11).

⁸⁶ FIRREA section 1109(a)(4), 12 U.S.C. 3338(a)(4) (requiring States to submit AMC fees for the National Registry to the ASC annually).

⁸⁷ 12 U.S.C. 3338(a)(4).

⁸⁸ 12 U.S.C. 3338(a)(4).

These comments overlap with comments made concerning other questions in the proposal. As such, Question 6 is not addressed separately.

could be interpreted by some States to prohibit appraisers from using trainees to assist with assignments.

The Agencies are adopting proposed § 34.213(a)(4) with a minor non-substantive change. New § 34.213(a)(4) requires States to verify that the appraisers on an AMC's appraiser panel—as defined in § 34.211(e)—hold valid State certifications or licenses, as applicable. The Agencies are removing references to a “list,” “network,” or “roster” because these terms are incorporated into the definition of “appraiser panel” in § 34.211(e). Regarding the concerns about whether trainee appraisers may be used in light of this requirement, § 34.213(a)(4) is not intended to imply any changes in the current requirements for their use. The requirement in § 34.213(a)(4) complements the requirement in proposed § 34.213(b)(2) (adopted as final without change) that AMCs must use only State-licensed or State-certified appraisers for Federally related transactions. Both are intended to implement FIRREA section 1124(a)(2), under which the Agencies must require States to require AMCs to use only State-licensed or certified appraisers for Federally related transactions.⁸⁹

The trainee appraiser designation established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation requires trainees to work under the supervision of a qualified supervisory appraiser, as authorized by section 1122(e).⁹⁰ The Agencies continue to support the use of trainee appraisers as long as they work under the supervision of a State-certified and or State-licensed appraiser and have met the qualifications established by the appropriate State and the AQB. As such, the requirement in section 1124(a)(2) and the proposed and final rules should not be interpreted to bar trainee appraisers from working with State-certified or State-licensed appraisers who perform appraisals for AMCs, which is authorized by section 1122(e).⁹¹ The final rule amends proposed § 34.213(b)(2), by substituting the term “engage” for the term “use” to clarify that an appraiser may work with a trainee appraiser on an appraisal, but only the appraiser may be “engaged” by the AMC to perform appraisals. In a Federally related transaction, an AMC may engage only a State-certified or State-licensed appraiser.

d. Valuation Independence

The Agencies received comments on proposed § 34.213(b)(5), which requires participating States to require AMCs to establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of the valuation independence requirements of TILA section 129E.⁹² These commenters requested that the final rule clarify the extent to which States are expected to investigate and enforce TILA section 129E and its implementing regulations, which includes the requirements to pay appraisers customary and reasonable fees. These commenters also expressed concern that States might interpret these rules differently, potentially in ways that may conflict with Federal interpretations.

In response to the comments, the Agencies note that, pursuant to section 1124(a)(4), States must require AMCs to require that appraisals are conducted in accordance with the valuation independence requirements of section 129E(a) through (i) of TILA.⁹³ The Agencies proposed to implement this requirement by mandating that participating States require AMCs to:

- Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type; and
- Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

See proposed § 34.213(b)(3) and (4).

Questions about what mechanisms a State agency may use to assess a party's compliance in connection with any authority the State has to commence a civil action to enforce section 129E of TILA are outside the scope of this rulemaking.⁹⁴ This final rule sets minimum standards for States to adopt in establishing a State program for registering and supervising AMCs. Once adopted by a State, these minimum standards become part of the State's

legal framework for licensing and registering AMCs. Questions concerning what authority a State may confer on its own agency to supervise for and enforce compliance with the State's licensing and registration program are also outside the scope of this rulemaking.

3. Other Issues

a. The 36-Month Implementation Period

The Agencies asked for comment on whether aspects of the proposed rule would be challenging for States to implement within 36 months. (See Question 9 in the proposal.) The Agencies also asked States to identify alternative approaches that would make implementation easier. Seven commenters stated that 36 months does not give States enough time for implementation and that the 36-month implementation period should begin after the ASC establishes the AMC National Registry and has issued its clarifying regulations. One commenter asserted that States would have difficulty beginning the implementation process until the ASC issued its regulations. Other commenters expressed concerns that the ASC would be unable to set up a functioning AMC National Registry and issue its clarifying regulations within 36 months after this final rule is issued.

The Agencies note that Congress specifically provided for a 36- to 48-month implementation period before restrictions are imposed on AMCs in States that have not yet participated. This 36-month implementation period is set pursuant to section 1124(f), which also provides for a potential 12-month extension if the ASC finds that a State has made substantial progress towards implementing an AMC registration and supervision program.⁹⁵ Thus, only the ASC, and not the Agencies, may extend the implementation period beyond 36 months. The Agencies anticipate that concerns about the 36-month period and the need for registry regulations will be addressed by the ASC. In response to the concern expressed by the commenters, however, the Agencies are adopting changes to the proposed definitions that relied on cross-references to Regulation Z, 12 CFR part 1026 rule, by substituting the text of these definitions for the cross references. As noted in the section-by-section analysis of § 34.211, above, the Agencies believe that these changes mitigate the potential obligations of States to update, clarify, or amend State law or its interpretations as Regulation Z is amended over time, or if the

⁸⁹ 12 U.S.C. 3353(a)(2).

⁹⁰ 12 U.S.C. 3351(e).

⁹¹ 12 U.S.C. 3351(e), 3353(a)(2).

⁹² 15 U.S.C. 1639e.

⁹³ 12 U.S.C. 3353(a)(4), 15 U.S.C. 1639e.

⁹⁴ 15 U.S.C. 1639e.

⁹⁵ FIRREA sections 1124(f)(1) and (2), 12 U.S.C. 3353(f)(1) and (2).

numbering of definitions in Regulation Z changes.

b. Potential Differences Between State Laws and the Proposed AMC Rule

The Agencies asked for comment on whether there are questions raised by any differences between State laws and the proposed rule and whether those differences should be addressed in the final rule. (See Question 11 in the proposal.) As noted, one commenter suggested that, to promote uniformity, all States should be required to use the calendar year for determining whether an entity has the requisite number of appraisers on its panel to qualify as an AMC. These comments were addressed in the section-by-section analysis of § 34.212(d), above.

c. Voluntary Nature of State Adoption of AMC Registration and Supervision Programs

As described earlier in this preamble, the Agencies have interpreted section 1124 to mean that there is no requirement for States to adopt programs for registration and supervision of AMCs.⁹⁶ Rather, if a State chooses not to adopt such a program, AMCs located in that State may not provide appraisal management services for Federally related transactions, unless the AMCs are Federally regulated. To qualify to provide appraisal management services for Federally related transactions, a State program must include the minimum requirements for registration and supervision of AMCs in section 1124 and in the final rule.⁹⁷

The Agencies received a number of comments concerning the Agencies' interpretation of the statute and the conclusion that adoption by States of AMC registration and supervision programs is voluntary and optional. These commenters argued that, in non-participating States, non-Federally regulated AMCs will be at a competitive disadvantage, because these AMCs will be barred by statute from providing appraisal management services for Federally related transactions. In addition, the commenters argued that interpreting State adoption of the minimum requirements to be voluntary would burden lenders. These commenters asserted that, in non-participating States, lenders would have to set up in-house appraisal management staff, which would raise the costs of lending. In addition, the commenters argued that, in non-participating States, consumers would

be affected adversely by increased costs for appraisals and delays arising from the absence of AMCs in the marketplace. These commenters also suggested that either the Agencies or the ASC should serve as a "back-up" regulator to register and supervise AMCs in non-participating States. These commenters suggested that this alternative would address the same policy concerns they expressed in arguing for mandatory State participation.

In response to these comments, the Agencies note first that section 1124(a), by its plain terms, does not require any State to adopt an AMC registration and supervision program.⁹⁸ Nor is there a stated penalty for a State that declines to do so. Rather, under section 1124(f), an AMC (that is not Federally regulated) in a non-participating State is barred from providing appraisal management services for Federally related transactions.⁹⁹ The Agencies note that 38 States have already adopted AMC programs.¹⁰⁰ The commenters also provided no substantiating basis to support the commenters' warning that lending will be inhibited or more costly in non-participating States. If after the 36-month period following issuance of the final rule (or any extended period permitted by the ASC), a State has not yet adopted an AMC registration and supervision program, many options exist for creditors to obtain appraisals for Federally related transactions. Creditors that do not wish to hire in-house appraisers can engage third-party appraisers directly.¹⁰¹ Smaller AMCs (those that have fewer than 15 appraisers in the State on their panel or fewer than 25 appraisers in two or more States) as well as Federally regulated AMCs can still perform services in

Federally related transactions. AMCs that exceed the statutory size threshold may also continue to service transactions that are not Federally related and, if the State does later participate, can also then provide services in Federally related transactions.

Some commenters suggested that the Agencies or the ASC step in to register and supervise AMCs in non-participating States. Neither section 1124 nor FIRREA authorizes either the Agencies or the ASC to serve as a "back up" regulator for registration and supervision of AMCs.¹⁰² The Agencies are only permitted to directly supervise Federally regulated AMCs, as discussed in the section-by-section analysis of § 34.215, below.

D. Section 34.214: Registration Limitations

Section 34.214 finalizes proposed § 34.215, which placed certain limitations on whether an AMC (whether or not Federally regulated) may be registered in a State or included in the AMC National Registry. Proposed § 34.215 was based on section 1124(d), which provides that an AMC shall not be registered by a State or included on the AMC National Registry if the company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State.¹⁰³ Section 1124(d) provides further that each person who owns more than 10 percent of an AMC must be of good moral character, as determined by the State appraiser certifying and licensing agency, and must submit to a background investigation carried out by the State appraiser certifying and licensing agency.¹⁰⁴

To implement this provision, proposed § 34.215(a)—finalized in substantially similar form at § 34.214(a)—provided that an AMC may not be registered by a State or included on the AMC National Registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. As the Agencies noted in the proposal, section 1124(d) states clearly that the limitations regarding appraiser licensure and certification determine both whether an AMC may be "registered by a State" and

⁹⁸ 12 U.S.C. 3353(a).

⁹⁹ 12 U.S.C. 3353(f).

¹⁰⁰ One commenter, an AMC, highlighted a report by a Hawaii State auditor regarding a proposed bill in the Hawaii legislature that concerns the registration of AMCs. The commenter argued that this report provided evidence that Hawaii would not adopt an AMC law. The auditor's report, however, does not indicate that it would be inappropriate for a State to participate in the AMC regulatory system established under section 1124. Rather, the report opined that the particular proposed bill would not be the appropriate method of participation for various reasons, including that the regulation of AMCs should not be managed by the State real estate commission. See Auditor of the State of Hawaii Report 10-07 (Sept. 2010) at 4, Sunrise Analysis: Real Estate Appraisal Management Companies, (Sept. 2010) at 4, available at <http://files.hawaii.gov/auditor/Reports/2010/10-07.pdf>.

¹⁰¹ The valuation independence provisions of TILA section 129E and its implementing regulations do not require use of AMCs. 15 U.S.C. 1639e, implemented at 12 CFR 226.42 (Board) and 12 CFR 1026.42 (Bureau).

⁹⁶ 12 U.S.C. 3353.

⁹⁷ 12 U.S.C. 3353.

¹⁰² 12 U.S.C. 3353.

¹⁰³ 12 U.S.C. 3353(d).

¹⁰⁴ 12 U.S.C. 3353(d).

whether an AMC may be “included on the national registry” of AMCs.¹⁰⁵

In addition, proposed § 34.215(b)—finalized at § 34.214(b)—provided that, for AMCs seeking to be registered in a State, each person who owns more than 10 percent of an AMC must be of good moral character, as determined by the State appraiser certifying and licensing agency, and must submit to a background investigation carried out by the State appraiser certifying and licensing agency. Under the proposal, this limitation would apply to Federally regulated AMCs only if they seek to register voluntarily with a State. Under the proposal, these threshold requirements concerning licensure would be ongoing obligations for State appraiser certifying and licensing agencies. As such, a State would be expected to review whether an AMC meets the proposed ownership limitations, as described in the statute and in proposed § 34.215 (finalized at § 34.214), at the time of registration of an AMC, and at the time of renewal of the AMC license each year, or more frequently as determined necessary by that State.

1. Section 34.214 (a): Technical Versus Substantive Licensing Violations

Some commenters suggested that the Agencies consider circumstances in which an appraiser’s license lapsed or was revoked for technical reasons unrelated to the quality of appraisals performed by the appraiser. They asserted that being barred from owning an AMC eligible for registration in a State or included in the AMC National Registry in these cases is potentially unfair. One example of this is when an appraiser neglects to renew his or her appraiser’s license on time. Depending on the State law, an appraiser would typically be able to be reinstated, pending payment of certain penalties. In this situation, the lapse in the appraiser’s license is unrelated to fraud or a failure to perform an appraisal in compliance with USPAP.

The Agencies agree that non-substantive grounds for the revocation of an appraiser’s license should not be construed to be within the scope of the registration limitations in section 1124(d).¹⁰⁶ In connection with this, the Agencies agree that an appraiser who is subsequently reinstated by the State appraiser certifying and licensing agency should not be within the scope of the registration limitations. For example, if an appraiser’s license lapses for non-payment of fees, and the

appraiser is later reinstated by the State appraiser certifying and licensing agency after meeting his or her obligation, the appraiser should not be barred from owning an AMC. If, however, an appraiser’s license or certificate is revoked, for example, for violations of the TILA independence standards or for failure to comply with USPAP, an AMC owned wholly or in part by that appraiser should not be eligible to register in a State or appear on the AMC National Registry. For these reasons, the final rule clarifies that an appraiser is subject to the ownership ban if the revocation of the appraiser’s license or certification was for a substantive cause, as determined by the State certifying and licensing agency.

2. Other Issues

Some commenters expressed concern that States may not be able to obtain the information to determine whether an appraiser license has been revoked in another State. One commenter requested guidance on how to approach the moral character registration requirement within a corporate structure. Specifically, the commenter inquired about whether a State must review issues related to moral character to owners beyond the AMC, for example to a holding company. Another commenter suggested that the Agencies define “good moral character” rather than leaving it to participating States to adopt their own definition.

With respect to the commenters’ questions concerning the details and logistics of a State’s investigation of an applicant for presence of the registration limitation factors, the Agencies believe that it is desirable to afford flexibility to the States, many of which currently perform background investigations in connection with various licensing regimes, to establish appropriate procedures and the scope of the background investigations to be performed by that particular State. The statute establishes the ASC as the agency that oversees the adequacy of State AMC registration and investigation procedures. Similarly, with respect to the comment suggesting the final rule define “good moral character” in a manner that all participating States would be required to adopt, the Agencies note that section 1124 provides for the good moral character limitation to be applied “as determined by the State.” Thus, consistent with the statute, the final rule defers to the participating States to make determinations as to the scope of the

good moral character requirement.¹⁰⁷ In overseeing implementation by participating States, the ASC potentially could provide input as well.

Finally, the Agencies are also clarifying in § 34.214(a) that the section regarding registration limitations applies to AMCs required to register with a State, not to Federally regulated AMCs (unless they voluntarily wish to register with a State). Accordingly, the title of this section has been revised from “Registration limitations” to “Ownership limitations for AMCs registering in a State.” As discussed in the section-by-section analysis of new § 34.215(b), below, for clarity the Agencies added a separate provision regarding limitations on Federally regulated AMCs being included on the AMC National Registry, also pursuant to section 1124(d).¹⁰⁸

E. Section 34.215: Requirements for Federally Regulated AMCs

Section 1124(c) provides that AMCs that are owned and controlled subsidiaries of an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with a State.¹⁰⁹ These Federally regulated AMCs are, however, subject to the same minimum requirements as AMCs that are not regulated by a Federal financial institutions regulatory agency.

1. Section 34.215(a): Requirements in Providing Services

Section 34.215(a) finalizes without change the proposed § 34.214(a) concerning requirements for Federally regulated AMCs. Pursuant to proposed § 34.214(a), Federally regulated AMCs were subject to the same substantive standards that were proposed for non-Federally regulated AMCs. Specifically, pursuant to § 34.214(a), Federally regulated AMCs were required to have systems in place to ensure that only State-certified or State-licensed appraisers perform appraisals for Federally related transactions; that appraisers with the requisite education, expertise, and experience necessary for the assignment are used; that appraisals comply with USPAP; and that the

¹⁰⁷ State appraiser boards also have experience applying the “good moral character” standard, which is a common element of appraiser licensure standards already. See, e.g., Virginia 18 VAC 130–20–30(1); Pennsylvania Code Ch. 36.12(a); Michigan Code Ch. 339.2610; Missouri Code Ch. 339.511(2); N.J. S.A. Title 45 Ch. 14F–10(b).

¹⁰⁸ 12 U.S.C. 3353(d).

¹⁰⁹ 12 U.S.C. 3353(c). However, nothing in the proposed rule would prohibit a Federally regulated AMC from registering with a State if the State permitted it to do so.

¹⁰⁵ 12 U.S.C. 3353(d).

¹⁰⁶ 12 U.S.C. 3353(d).

valuation independence requirements of TILA section 129E are met.¹¹⁰

2. Section 34.215(b): Ownership Limitations for Federally Regulated AMCs

Section 34.215(b) reflects a non-substantive revision to the proposal. This provision implements limitations on inclusion in the AMC National Registry for Federally regulated AMCs pursuant to section 1124(d) and reorganizes them into a separate section for Federally regulated AMCs.¹¹¹ The proposed rule folded the limitations on Federally regulated AMCs into proposed § 34.215 (Registration limitations), which also addressed limitations on AMCs that are required to register with a State.

For clarity, the final rule separates the ownership limitations on AMCs required to register with States (proposed § 32.215; finalized in § 34.214) from the ownership limitations on Federally regulated AMCs that can be included on the AMC National Registry (§ 34.215(b)). Specifically, § 34.215(b) states that a Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the State. Section 34.215(b) also provides that an AMC is not barred by § 34.215(b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest in the AMC has been reinstated by the State or States in which the appraiser was licensed or certified.

3. Section 34.215(c): Reporting Information for the AMC National Registry

As part of being included on the AMC National Registry, the proposed rule required Federally regulated AMCs to provide to each participating State in which the AMC operates the information required by the ASC for administration of the AMC National Registry. Specifically, under proposed § 34.214(b), Federally regulated AMCs would have been required to provide information relating to the determination of the AMC National Registry fee and the information needed to determine whether the ownership limitations under proposed § 34.215

(finalized as § 34.215(b), discussed above) apply. Finally, the proposed rule directed Federally regulated AMCs to contact the ASC concerning alternative means for submitting the information outlined in § 34.214(b), in the event a State did not convey the information.

The Agencies received comments concerning the requirement that States convey information on Federally regulated AMCs to the ASC, which many commenters addressed when responding to a specific question in the proposal concerning potential barriers to a State providing the necessary information to the ASC, as discussed below.

The Agencies asked for comment on whether there may be barriers to collecting information on Federally regulated AMCs for the ASC. (*See* Question 10 in the proposal.) A number of commenters expressed the view that the supervision and handling of Federally regulated AMCs should be done by the ASC, not by the States. Other commenters expressed concern that States do not have a way to identify a Federally regulated AMC. Another set of commenters suggested that States would have difficulty with collecting information concerning Federally regulated AMCs because they do not have a process for the collection of such information. A few other commenters argued that States do not have authority over Federally regulated AMCs, which would make it impossible to police the collection requirement. Some commenters suggested that requiring States to collect information on Federally regulated AMCs amounted to an unfunded mandate, particularly if State law prohibited an agency from collecting a fee from an entity it does not license or regulate. These commenters argued that States should be compensated for collecting information from Federally regulated AMCs.

The Agencies note that the proposed and final rules do not implement the statutory requirement for States to collect the AMC National Registry fee, nor do they determine the process for collection. The collection of the fee is provided for pursuant to FIRREA section 1109 and will be implemented by the ASC, not the Agencies as part of this joint rulemaking.¹¹² In addition, the Agencies note that the requirement for States to collect fees from Federally regulated AMCs is statutory.¹¹³ Under FIRREA section 1109(a)(4)(B), participating States are required to

collect an annual ASC fee from each AMC that is registered with the States or operated as a subsidiary of a Federally regulated financial institution.¹¹⁴

In FIRREA section 1124(e), the Agencies are charged with jointly promulgating regulations for the reporting of the activities of AMCs to the ASC in determining the payment of the AMC National Registry fee.¹¹⁵ The Agencies interpret FIRREA sections 1109(a)(4)(B) and 1124(e) together to require States to collect information related to the determination of the fee for Federally regulated AMCs operating in their States.¹¹⁶ Therefore, in § 34.215(c), the Agencies are adopting the proposal to require Federally regulated AMCs to submit information required for the AMC National Registry to the States in which they operate without substantive change.

Specifically, new § 34.215(c) requires Federally regulated AMCs to report to the State or States in which they operate the information required to be submitted by the State to the ASC, pursuant to policies that will be developed and issued by the ASC regarding the determination of the AMC National Registry fee, including but not necessarily limited to information related to the ownership limitations in § 34.215(b). These ownership limitations relate to determining the AMC National Registry fee because the limitations determine whether an AMC is eligible to be included in the Registry in the first instance.

The Agencies understand commenters' concerns about States collecting information from Federally regulated AMCs and submitting it to the ASC. As discussed, the Agencies interpret the statute to require that participating States have a mechanism for collecting information from identified Federally regulated AMCs operating in their States and submitting it to the ASC. However, the Agencies emphasize that this final rule does not require States to identify Federally regulated AMCs operating in their States, nor are they responsible for supervising or enforcing a Federally regulated AMC's compliance with information submission requirements related to the AMC National Registry. Rather, the Federal agencies overseeing Federally regulated AMCs are responsible for supervising and enforcing the compliance of Federally regulated AMCs with these requirements, including whether the

¹¹⁰ See section 129E of TILA, 15 U.S.C. 1639e (implemented at 12 CFR 1026.42).

¹¹¹ 12 U.S.C. 3353(d).

¹¹² 12 U.S.C. 3338.

¹¹³ See section 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

¹¹⁴ 12 U.S.C. 3338(a)(4)(B).

¹¹⁵ See FIRREA section 1124(e), 12 U.S.C. 3353(e).

¹¹⁶ See 12 U.S.C. 3338(a)(4)(B), 3353(e).

AMC identifies itself to the State and submits required information. States are also not required to assess whether any licensing issues in that State of owners of a Federally regulated AMC disqualify the AMC from being on the AMC National Registry, pursuant to the ownership limitations in § 34.215(b). The final rule defers to the ASC to determine whether the cause of an appraiser license issue arose was “substantive.” The Agencies are sensitive to concerns raised about the cost to States of collecting and remitting information regarding Federally regulated AMCs. The final rule does not bar a State from collecting a fee from Federally regulated AMCs to offset the cost of collecting the AMC National Registry fee and the information related to the fee. In addition, pursuant to section 1109(b)(5), the ASC has the authority to provide grants to State appraiser certifying and licensing agencies to support the efforts of such agencies to comply with Title XI of FIRREA, including in connection with implementation of the AMC National Registry.¹¹⁷ Finally, the Agencies consulted further with the ASC regarding the proposal to give Federally regulated AMCs the alternative to report information directly to the ASC, for example, when operating in a non-participating State that is not collecting information. Due to operational challenges raised by the ASC, the Agencies are removing this alternative from the final rule. However, the Agencies recognize that practical challenges may arise as the minimum requirements are adopted in States and reporting requirements take effect and will be monitoring these issues.

F. Section 34.216: Information To Be Presented to the ASC by Participating States

Section § 34.216 is adopted without change from proposed rule. Pursuant to § 34.216, States that establish AMC registration and supervision programs are required to submit to the ASC the information regarding AMCs required by ASC regulations and guidance. This provision implements the requirement in section 1124(e) for the Agencies to establish these reporting requirements.

The Agencies did not receive comments specifically relating to § 34.216; however, as discussed above in response to questions concerning potential barriers to State registration and supervision of AMCs, some commenters expressed concern regarding the costs of collecting information related to fees and the

registration limitations, as well as the logistics of doing so with respect to Federally regulated AMCs.¹¹⁸ As discussed above in the section-by-section analysis of § 34.213, the Agencies are aware that there are States that currently charge AMCs a fee to offset administrative costs and could continue to do so. The Agencies also believe that cost concerns may be addressed by the ASC, through its authority to provide grants to States to assist States in complying with Title XI of FIRREA. The Agencies expect that the ASC will work with both the States and the Agencies to address logistical issues as the final rule is implemented.

G. Integration of FDIC and OTS Rules on Appraisals

The FDIC proposed to integrate its appraisal regulations for both nonmember banks and State savings associations. Specifically, the FDIC proposed to rescind 12 CFR part 390, subpart X (part 390, subpart X), of the former OTS regulation entitled “Appraisals.” The FDIC did not receive any comments specifically relating to the integration of the former OTS rules on appraisals. The final rule implements this authority by rescinding the former OTS regulatory provisions on appraisals pertaining to State savings associations, as these entities are now covered by the FDIC’s appraisal rules.

IV. Statutory Implementation Period

Pursuant to section 1124(f)(1), the limitation that applies to AMCs operating without registering with a participating State will apply as of 36 months from the effective date of this final rule.¹¹⁹ As a result, States electing to participate have 36 months from August 10, 2015 to establish an AMC registration and supervision program that meets the minimum requirements in this final rule and register AMCs seeking to provide appraisal management services related to Federally related transactions in the State before this limitation begins to apply. Subject to the approval of the FFIEC, the ASC may extend this period by an additional 12 months if it makes a written finding that a State has made substantial progress towards implementing a registration and supervision program for AMCs that meets the standards in Title XI of FIRREA. The compliance date for the final rule for Federally regulated AMCs is 12 months after the effective date of

this final rule with respect to practice requirements in § 34.215(a). This 12-month compliance date will allow Federally regulated AMCs time to develop the processes and controls required by this final rule. The compliance date for AMCs that are regulated by States will be determined by each State.

V. Regulatory Analysis

Paperwork Reduction Act

Certain provisions of the final rule contain “information collection” requirements within the meaning of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501 *et seq.*). Under the PRA, the Agencies may not conduct or sponsor, and, notwithstanding any other provision of law, a person is not required to respond to, an information collection unless the information collection displays a valid Office of Management and Budget (OMB) control number. The information collection requirements contained in this final rule were submitted to OMB for review and approval at the proposed rule stage by the FDIC, FHFA, and OCC pursuant to section 3506 of the PRA and section 1320.11 of the OMB’s implementing regulations (5 CFR part 1320). OMB instructed the agencies to examine public comment in response to the proposed rule and describe in the supporting statement of their next collections any public comments received regarding the collection as well as why (or why it did not) incorporate the commenter’s recommendation. The Agencies received no public comments regarding the collection. The Board reviewed the proposed rule under the authority delegated to the Board by OMB.

The collection of information requirements in the final rule are found in §§ 34.212–34.216. This information is required to implement section 1473 of the Dodd-Frank Act.

Title of Information Collection: Minimum Requirements for Appraisal Management Companies.

OMB Control Nos.: The Agencies will be seeking new control numbers for these collections.

Frequency of Response: Event generated.

Affected Public: States; businesses or other for-profit and not-for-profit organizations.

Abstract:

State Recordkeeping Requirements States seeking to register AMCs must have an AMC registration and supervision program. Section 34.213(a) requires each participating State to establish and maintain within its

¹¹⁸ The commenters, however, did not offer data on what volume or burden the collection of information and transmission process would be expected to pose.

¹¹⁹ 12 U.S.C. 3353(f).

¹¹⁷ 12 U.S.C. 3338(b)(5).

appraiser certifying and licensing agency a registration and supervision program with the legal authority and mechanisms to: (i) Review and approve or deny an application for initial registration; (ii) periodically review and renew, or deny renewal of, an AMC's registration; (iii) examine an AMC's books and records and require the submission of reports, information, and documents; (iv) verify an AMC's panel members' certifications or licenses; (v) investigate and assess potential law, regulation, or order violations; (vi) discipline, suspend, terminate, or deny registration renewals of, AMCs that violate laws, regulations, or orders; and (vii) report violations of appraisal-related laws, regulations, or orders, and disciplinary and enforcement actions to the ASC.

Section 34.213(b) requires each participating State to impose requirements on AMCs not owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency to: (i) Register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which the AMC operates; (ii) engage only State-certified or State-licensed appraisers for Federally regulated transactions in conformity with any Federally regulated transaction regulations; (iii) establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type; (iv) direct the appraiser to perform the assignment in accordance with USPAP; and (v) establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with section 129E(a)-(i) of TILA.

State Reporting Burden

Section 34.216 requires that each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the ASC the information required to be submitted under this Subpart and any additional information required by the ASC concerning AMCs.

AMC Reporting Requirements

Section 34.215(c) requires that a Federally regulated AMC must report to the State or States in which it operates

the information required to be submitted by the State pursuant to the ASC's policies, including: (i) Information regarding the determination of the AMC National Registry fee; and (ii) the information listed in § 34.214.

Section 34.214 provides that an AMC may not be registered by a State or included on the AMC National Registry if such company is owned, directly or indirectly, by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Each person that owns more than 10 percent of an AMC shall submit to a background investigation carried out by the State appraiser certifying and licensing agency. While § 34.214 does not authorize States to conduct background investigations of Federally regulated AMCs, it would allow a State to do so if the Federally regulated AMC chooses to register voluntarily with the State.

AMC Recordkeeping Requirements

Section 34.212(b) provides that an appraiser in an AMC's network or panel is deemed to remain on the network or panel until: (i) the AMC sends a written notice to the appraiser removing the appraiser with an explanation; or (ii) receives a written notice from the appraiser asking to be removed or a notice of the death or incapacity of the appraiser. The AMC would retain these notices in its files.

Burden Estimates:

Total Number of Respondents: 500 AMCs, 55 States.

Bureau: Since the Bureau is merely adopting a cross-reference in Regulation Z to the OCC regulatory text, the Bureau is not imposing any new or additional information collection requirements on regulated entities. Therefore, the Bureau is not seeking OMB approval for the information collection requirements already accounted for by the other agencies' information collection requests submitted to OMB in association with this rule.

FDIC Burden Total: 1,545 hours.

FHFA Burden Total: 617 hours.

OCC Burden Total: 1,545 hours.

Board Burden Total: 1,545 hours.

Total Burden: 5,252 hours.

Regulatory Flexibility Act

OCC: The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, generally requires that, in connection with a rulemaking, an agency prepare and make available for public comment a regulatory flexibility analysis that describes the impact of the rule on small entities. However, the regulatory flexibility analysis otherwise required

under the RFA is not required if an agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined in regulations promulgated by the Small Business Administration (SBA) to include commercial banks and savings institutions, and trust companies, with assets of \$550 million or less and \$38.5 million or less, respectively) and publishes its certification and a brief explanatory statement in the **Federal Register** together with the rule.

The OCC currently supervises 1,492 insured depository institutions (1,051 commercial banks and 441 Federal savings associations) of which approximately 1,090 are small entities based on the SBA's definition of small entities for RFA purposes. The OCC classifies the economic impact of total costs on a small entity as significant if the total costs in a single year are greater than 5 percent of total salaries and benefits, or greater than 2.5 percent of total non-interest expense.

As discussed in the **SUPPLEMENTARY INFORMATION** above, section 1473 of the Dodd-Frank Act requires the Agencies to jointly prescribe regulations to implement the minimum requirements for State registration and supervision of AMCs. The final rule meets this obligation by requiring States that elect to register and supervise AMCs to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory authorities, such as the ability to investigate complaints against AMCs, and take disciplinary action with respect to AMCs that violate applicable laws.

The OCC believes the final rule will not have a significant economic impact on a substantial number of small entities for several reasons. First, the final rule imposes requirements primarily on States, not on national banks or Federal savings associations. Second, to the extent that the final rule imposes burden on national banks or Federal savings associations that own and control an AMC, there are only two such AMCs, and these are owned by large national banks. For these reasons, the OCC believes that the final rule will not have an impact on a substantial number of OCC-supervised small entities. Therefore, the OCC certifies that the final rule would not have a significant economic impact on a substantial number of small entities.

Board: The RFA, 5 U.S.C. 601 *et seq.*, requires an agency to provide and make available for public comment a regulatory flexibility analysis that describes the impact of a proposed rule

on small entities. However, a regulatory flexibility analysis is not required, if the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined in regulations of the SBA to include banking organizations (commercial banks, savings institutions, and trust companies)) with total assets of less than or equal to \$550 million and publishes its certification and a short explanatory statement in the **Federal Register** together with the rule.¹²⁰ Based on its analysis, and for the reasons stated below, the Board believes that the final rule will not have a significant economic impact on a substantial number of small entities.

The AMC Rule applies to States that elect to establish licensing and certifying authorities to regulate AMCs. In the Board's regulatory flexibility analysis for this Rule, the Board determined that approximately 32 entities would be subject to direct regulation and supervision by Federal financial institutions regulatory agencies. These entities would be subject to direct regulation and supervision under the Rule because the entities are Federally regulated AMCs. The number of these 32 entities that actually would be subject to regulation under the AMC Rule is currently unknown because some of the entities may have a network or panel of contract appraisers that is too small to satisfy a threshold requirement of the AMC Rule and therefore would be exempt from regulation and supervision under the AMC Rule.

Data currently available to the Board indicate that approximately five State member banks operate a Federally regulated AMC. Data available to the Board are not sufficient to estimate how many of the approximately five entities subject to Board regulation and supervision would be classified as "small entities."

Generally, the RFA requires an agency to perform a regulatory flexibility analysis of small entity impacts only when the agency's rule directly regulates the small entities. The impact of this final rule on small entities is indirect. This final rule does not impose directly any significant new recordkeeping, reporting, or compliance requirements on small entities, but instead requires participating States to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory

capabilities, such as the ability to investigate complaints against AMCs, and take disciplinary action with respect to AMCs that violate applicable laws and regulations.

Moreover, while certain minimum requirements are imposed on participating States by the language of section 1473 of the Dodd-Frank Act, each State may establish requirements in addition to those required by section 1473. Furthermore, an entity with a network or panel of appraisers that does not meet the numerical test specified in section 1473 may *voluntarily* register with a participating state and the ASC, thus incurring some nominal expenses in establishing and maintaining the required registration information and meeting the minimum operational requirements. Because of these uncertainties, calculation of the impact of the final rule on the average Board-supervised institution or entity is uncertain, although the number of Board-supervised entities directly subject to supervision under the Rule is expected to be less than five.

Based on its analysis, and for the reasons stated above, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

FDIC: The RFA generally requires that, in connection with a rulemaking, an agency prepare and make available for public comment an initial regulatory flexibility analysis (IRFA) that describes the impact of the final rule on small entities.¹²¹ A regulatory flexibility analysis is not required, however, if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities (defined in regulations promulgated by the SBA to include banking organizations with total assets of less than or equal to \$550 million) and publishes its certification and a short, explanatory statement in the **Federal Register** together with the final rule.

As of September 30, 2014, there were approximately 3,451 small FDIC-supervised institutions, which include 3,167 State nonmember banks and 284 State-chartered savings institutions. The FDIC analyzed the organizational structure information in the Board of Governors of the Federal Reserve System's National Information Center database. This analysis found that few FDIC-supervised institutions owned or controlled an entity that provides the types of appraisal management services specified in section 1473. Of these institutions, none oversees a network or panel of appraisers that meets the

statutory panel size threshold specified in section 1473 for an entity to be an AMC. Therefore, the final rule would not have any impact on any FDIC-supervised institutions. If any FDIC-supervised institution that owns or controls an entity with a network or panel of appraisers that does not meet the statutory panel size threshold specified in section 1473 *voluntarily* decides to register that entity with the States, then the institution may incur some nominal expenses in establishing and maintaining a process for providing the required registration information and meeting the minimum operational requirements.

In addition, the final rule implements the minimum requirements for States to register and supervise AMCs as required by section 1473 of the Dodd-Frank Act. The final rule meets this obligation by requiring States that elect to register and supervise AMCs to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory authorities, such as the ability to investigate complaints against AMCs and take disciplinary action with respect to AMCs that violate applicable laws.

It is the opinion of the FDIC that the final rule will not have a significant economic impact on a substantial number of small entities that it regulates in light of the fact that no FDIC-supervised institutions own or control an entity with a network or panel of appraisers that meets the statutory panel size threshold specified in section 1473 for an entity to be an AMC. In addition, the final rule imposes requirements primarily on States and not on FDIC-supervised institutions. Accordingly, the FDIC certifies that the final rule would not have a significant economic impact on a substantial number of small entities. Thus, a regulatory flexibility analysis is not required.

Bureau: The RFA generally requires an agency to conduct an IRFA and a final regulatory flexibility analysis (FRFA) of any rule subject to notice-and-comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.¹²²

¹²² For purposes of assessing the impacts of the proposed rule on small entities, "small entities" is defined in the RFA to include small businesses, small not-for-profit organizations, and small government jurisdictions. 5 U.S.C. 601(6). A "small business" is determined by application of SBA regulations and reference to the North American Industry Classification System (NAICS) classifications and size standards. 5 U.S.C. 601(3). A "small organization" is any "not-for-profit enterprise which is independently owned and

¹²⁰ U.S. Small Business Administration, Table of Small Business Size Standards Matched to North American Industry Classification System Codes, available at https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf.

¹²¹ See 5 U.S.C. 601 *et seq.*

An FRFA is not required because this rule will not have a significant economic impact on a substantial number of small entities.

This final rule implements the minimum requirements to be applied by participating States in the registration and supervision of AMCs, as well as requirements directly applicable to Federally regulated AMCs. The Bureau notes that the final rule does not impose requirements on AMCs (other than Federally regulated AMCs), but instead seeks to encourage States to adopt minimum requirements in their regulation of AMCs. Burden may be generated from the States' exercise of discretion to implement the final rule, based on the States having the option to decline to participate. The Bureau does not view this as burden resulting from the rule itself, however. Nonetheless, to inform the rulemaking and to inform the public, the Bureau exercised its discretion to analyze economic impacts that will be imposed on AMCs by States that implement final rule.¹²³ For this purpose, the Bureau assumed States that have not yet passed an AMC licensing and registration law (17 States, as of November 2014) would all elect to pass such a law and establish an AMC licensing and supervision program that satisfies the standards of the final rule. This assumption is taken to establish an outer bound. Because the final rule does not require States to adopt the minimum requirements in the final rule, however, it is possible that not all 17 States (as defined in the final rule) would do so.¹²⁴

operated and is not dominant in its field." 5 U.S.C. 601(4). A "small governmental jurisdiction" is the government of a city, county, town, township, village, school district, or special district with a population of less than 50,000. 5 U.S.C. 601(5). Given this definition, participating States are not small governmental jurisdictions and the burden on them is not relevant to this analysis.

¹²³ The Bureau does not assume costs associated with the final rule's requirements to ensure compliance with USPAP and other regulations, because AMCs would be subject to these standards even without their being referenced in the final rule.

¹²⁴ A State could accept the consequences on AMCs' business in the State from not implementing the final rule. FIRREA section 1124(f) provides that three years after the final rule takes effect, AMCs cannot provide services in Federally related transactions unless and until a State has implemented the final rule. However, the Bureau understands that only a minority of mortgage transactions are "Federally related transactions" within the meaning of FIRREA. See, e.g., 12 CFR 225.62(f) (transaction must "[r]equire the services of an appraiser" to be federally related). But see *id.* at § 225.63(a)(1),(9),(10) (exemptions from FIRREA appraisal requirements for transactions of \$250,000 or less, transactions insured by or sold to a U.S. government agency, and transactions that conform to GSE appraisal standards). However, the Bureau believes all States will choose to participate. Several industry comments expressed concerns

Various commenters expressed their concerns with State and Federal fees that may be instituted in connection with AMC registration and supervision. This rule does not determine fee amounts for States to charge, require collection of registration fees by the ASC, or authorize the collection of such ASC fees. It instead provides minimum requirements for States to use to regulate AMCs within the State. How a State chooses to implement these requirements, including which if any new State fees to charge, is within the discretion of the States. With respect to the ASC registration fee, the Dodd-Frank Act grants authority to set that fee exclusively to the ASC.¹²⁵ Therefore, the Bureau does not consider any fees imposed on AMCs by the ASC (whether directly or through the States for forwarding to the ASC) as an impact of the final rule.

A national association commented explicitly on the fees that AMCs would pay and the fees' effect on consumers: "150+ – AMCs, \$2,500 average fee per State (includes application fee, surety bond fees, background checks, secretary of State application fees, administration fees, and etc.)

150 AMCs × \$2,500 × 50 States = \$18,750,000.00

150 AMCs × 2500 appraisers × \$50 ASC fee = \$18,750,000.00."

The Bureau's analysis differs from the commenter's in several ways. First, for the purposes of RFA, the Bureau is concerned only with smaller AMCs, and an AMC with 2,500 appraisers that operates in all 50 States is unlikely to be small under the SBA definition that would include only AMCs with yearly revenues below \$7,500,000. Second, the Bureau does not count as a burden imposed by the final rule those registration fees in States that already established AMC registration regimes

with the possible consequences if States did not participate. These comments did not establish that it was likely that States would not do so, however. Thus, the Bureau continues to rely on the assumption that the remaining States will choose to participate either within three years or soon thereafter. However, even if this is not the case, the transactions affected until a State did participate would be portfolio loans over \$250,000 that are not insured by either the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), or the United States Department of Agriculture Rural Housing Service (USDA RHS). These loans represent a small percentage of the market, and therefore inability by certain market participants (certain types of AMCs) to provide appraisal management services in these types of transactions in a non-participating State will not result in a significant economic impact on a substantial number of small entities.

¹²⁵ See 12 U.S.C. 3338. This provision in FIRREA is not part of the joint rulemaking authority in section 1124 that is the basis for the Agencies' issuance of this final rule.

before adoption of the final rule; thus the multiplier in the first calculation should be 17 rather than 50. Third, the Bureau assumes for its base calculations that only the minimum State rate is caused by the rule (Vermont's \$250 fee), thus the multiplier is \$250 instead of \$2,500. Finally, as mentioned above, the Bureau does not include the ASC fee or, in other words the third line overall (which in any event assumes a fee amount that the ASC has not yet established). Note that the Bureau's use of the minimum State rate for its base calculation of impacts does not imply that the Bureau suggests that the remaining 17 States adopt this rate.

Commenters also discussed the impact of the rule on States and the burden that may result with the implementation of the final rule. While the Bureau acknowledges these comments, for the purposes of making a determination under the RFA, the impact of the final rule on the States is not incorporated into the FRFA because States are not classified as small entities.

As discussed in the proposed rulemaking, State registration fees in States that have not yet passed an AMC licensing and registration law would constitute the primary economic impact of the final rule. As also noted in the proposed rule, such fees in States that have established such laws vary widely. Such State registration and renewal fees are not necessarily for the sole purpose of recovering costs of administering the minimum requirements under the final rule. States can impose charges for a variety of reasons, including to raise revenue (independent of the cost of the registration regime) or to fund the administration of a regime that exceeds the minimum requirements under the final rule. The Bureau believes that the fee charged by Vermont—\$125 for registration and \$250 for annual renewal—would be sufficient to recover the cost of implementing the final rule in a newly-participating State.¹²⁶ The Bureau therefore considered this fee in estimating the economic impact of the final rule in the 17 States that do not yet have AMC registration requirements. As discussed further below, however, the Bureau also considered more

¹²⁶ The application fee in Vermont is \$125. See https://www.sec.state.vt.us/media/188701/amc_application.pdf. The annualized renewal fee is \$250 (\$500 for a two-year period). See <https://www.sec.state.vt.us/media/486847/Appraisal-Management-Company-Renewal-Form-077-2014.pdf>. In addition, while some States may elect to impose additional requirements relating to examination and inspection of their AMCs, the Bureau does not believe that the minimum requirements that States must provide would lead to significant costs for AMCs.

conservative estimates of the impact of the final rule using significantly higher fee amounts. The Bureau believes that the 38 States that already have AMC registration requirements would have to do minimal, if any, updating of the requirements due to this rule, as discussed in the preamble. Thus, the Bureau believes that the rule's indirect burden on the AMCs operating in these 38 States is negligible.

As noted in the section-by-section analysis, it is possible that an appraisal firm, which hires employees to perform appraisals, could also oversee more than 15 appraisers engaged as independent contractors in a State, or 25 or more appraisers in two or more States, in a given year. Comments did not establish that such firms—described in the section-by-section analysis as ‘hybrid firms’—currently exist to any meaningful extent. The Bureau believes that to the extent such firms do exist, they are either already included in what the Bureau has counted as an AMC, or the firm is unlikely to be considered “small” within the meaning of the RFA.

An additional requirement in the final rule is that the State AMC licensing programs have authority and mechanisms to examine books and records of the AMCs, to otherwise obtain information from the AMCs, and to discipline AMCs. The Bureau believes that existing State registration fees generally already account for the cost to the States of having such authority and mechanisms, and that the requirement in the final rule therefore would not lead to higher registration fees in any significant amount.¹²⁷ Accordingly, in the 17 States that would adopt new registration and renewal systems, the Bureau believes the renewal fee currently charged in Vermont would cover the State's cost associated with implementing this requirement.

The Bureau notes that the final rule is not prescriptive as to how or when the States must exercise the authority or mechanisms. Exercise of such authority and mechanisms is determined at the discretion of the States, subject to monitoring by the ASC for effectiveness in the judgment or discretion of the ASC. Accordingly, to the extent that State exercise of such authority and mechanisms leads to burden on small entities, such burden would be

attributable to such State implementation and/or ASC oversight expectations rather than to the final rule itself. Therefore, State statutes that implement this requirement relating to establishing examination authority and mechanisms are not expected to cause fee increases or new burden above the \$250 overall baseline that is assumed for purposes of this analysis.¹²⁸

Similarly, the Bureau believes that other minimum requirements for AMCs under the final rule (verifying the use of licensed or certified status of appraisers, requiring that appraisers comply with USPAP, complying with any contractual review provisions, and establishing and complying with processes to ensure appraisers are qualified and independent and that the AMC acts in compliance with applicable valuation independence regulations), as well as the standard for removing appraisers from the appraiser panel, would not result in new burden on AMCs because these standards merely reinforce existing compliance requirements as well as industry practice.¹²⁹ The Bureau further notes that States have discretion to interpret the requirements to establish processes and controls to ensure compliance, subject to monitoring by the ASC for effectiveness in the judgment or discretion of the ASC. Accordingly, to the extent that State interpretations of such requirements leads to burden on small entities, such burden would be attributable to such State implementation and/or ASC oversight expectations rather than to the final rule itself.

Just as these conduct standards would not impose a significant burden on AMCs required to register at the State level, the Bureau does not believe they

would impose significant burdens on Federally regulated AMCs either. *See* Interagency Appraisal and Evaluation Guidelines, 75 FR 77450 (Dec. 10, 2010) (Interagency Guidelines). The Interagency Guidelines, part VI, already require Federal financial institutions, when obtaining required appraisals, to select appraisers who are certified or licensed, qualified, in compliance with USPAP, and independent. 75 FR at 77458. Federally regulated AMCs frequently perform appraisals for their affiliates. Therefore, it can be assumed that in delegating these functions to AMCs, these Federal financial institutions also delegated these requirements from part VI of the Interagency Guidelines to these AMCs.

To estimate the impact of the final rule on small AMCs, the Bureau conducted a survey. The Bureau called nine AMCs, selected randomly from a list of approximately 500 AMCs provided by industry trade associations. The AMCs were asked for certain basic data including the number of States in which they operate, their revenue (including the revenue from any non-appraisal business), and the number of appraisals that they performed in 2012.¹³⁰ The Bureau estimated the revenue to be the number of appraisals performed in 2012 multiplied by \$350—the average appraisal cost assumed in the Agencies' analysis under section 1022 of the Dodd-Frank Act in the 2013 Interagency Appraisals Rule. This revenue estimate is likely to be underestimated, given that several AMCs out of nine reported additional revenue that was not due to the residential appraisal business. Out of the nine AMCs, six had revenues of less than \$7,500,000 in 2012, and thus would be within the scope of the RFA analysis based upon SBA guidelines.¹³¹ The Bureau computed the cost of registration and renewal fees in States that do not already have them, allocated these costs to individual AMCs based upon the number of States in which the AMC operated,¹³² and computed the ratio of these allocated costs to the AMCs' revenues.

¹³⁰ One of the AMCs did not report its revenue.

¹³¹ NAICS code 531320—Offices of Real Estate Appraisers—includes “appraisal services,” which we believe would include services provided by AMCs in the processing and review of appraisals. An alternative classification would be NAICS code 561110—Office Administrative Services. In any event, this code also has an SBA threshold of \$7,500,000.

¹³² The Bureau assumed that an AMC that operated in x States needs to register in additional $(17/55)*x$ States. This assumption results in a $(17/55)*x*\$250$ State registration and renewal fee burden on an AMC operating in x States.

¹²⁷ *See, e.g.*, Vermont Statutes Title 26 section 3324 (requiring AMCs to “retain all records related to an appraisal, review, or consulting assignment for no less than five years . . . [and] with reasonable notice, a licensee or registrant shall produce any records governed by this section for inspection and copying by the board or its authorized agent.”).

¹²⁸ In addition, the Bureau does not believe that in States that add this requirement there will be any significant new burden on the AMCs. The Bureau believes that the AMCs already keep their books and records in order as a standard course of business practice, and thus the occasional State examiner visits should not impose any significant burden. In addition, the final rule requires only that the State have the authority and mechanism to request records and information. The final rule does not require that the State exercise this authority and any burdensome exercise of this authority would therefore not be caused by the final rule. Finally, to the extent State supervision programs do increase burden, the Bureau believes this burden would be within the sensitivity tolerances described in the footnote at the end of this section.

¹²⁹ These requirements also would not result in new burden on Federally regulated AMCs, for the same reason. Federally regulated AMCs do not have to comply with State registration and renewal requirements, which can entail fees. Conservatively, however, the Bureau applied the State fee burden to all of the small AMCs in its calculation method described herein. As a result, the estimated burden of State fees associated with the final rule may be over-estimated.

The Bureau acknowledges that requiring AMCs to send letters to the appraisers that the AMC decides to remove from its panel might add burden in States that do not already have registration requirements (which typically include notice provisions). The Bureau does not possess any evidence on the number of appraisers to whom an AMC would have to send these letters. According to the Bureau of Labor and Statistics' August 2014 preliminary numbers, 1.9 percent of the labor force in the real estate and rental and leasing industry was either laid off or discharged in the most recent month. Thus, the Bureau estimates that an AMC will dismiss approximately a quarter of appraisers from its panel in any given year. The Bureau assumes that each AMC will have several standardized letters explaining the reason for dismissal: for example, changing economic conditions or the appraiser's violation of USPAP or work performance issues. Each AMC might incur a minimal one-time cost to draft these letters, with some industry associations potentially providing templates. After this minimal one-time cost is incurred, the ongoing cost would include a minimal adjustment of the letter based on the appraiser's particular circumstances and the actual printing and mailing cost. These letters also could be sent in batches, periodically, such as on an annual basis. Thus, for the purposes of this analysis, the Bureau implicitly accounts for these costs in the sensitivity analyses below (which use a State fee of \$5,150 and include a \$300 administrative expense).

The Bureau then fit the received ratios using three different distributions: normal, generalized extreme value, and logistic. The three different distributions were used because no a priori assumptions regarding how these ratios are distributed can be made. The three distributions mentioned above are commonly used by empirical researchers to fit observed values. Considering the costs imposed by the States as a result of the final rule, the Bureau believes that less than 1 percent of the small entities would experience a cost of over 1 percent of their revenue, using either the normal, or the logistic, or the generalized extreme value distributions.¹³³ The Bureau also notes

that because the sample did not include any AMCs that were either too small (for example, with 15 or fewer appraisers in one State) or that were Federally regulated AMCs, these estimates are likely overstated.

Certification

Accordingly, the Bureau Director, by signing below, certifies that this final rule would not have a significant economic impact on a substantial number of small entities.

FHFA: The RFA (5 U.S.C. 601 *et seq.*) requires an agency to analyze a proposed regulation's impact on small entities if the final rule is expected to have a significant economic impact on a substantial number of small entities.¹³⁴ A regulatory flexibility analysis is not required if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities and publishes its certification and a short statement in the **Federal Register** together with the final rule.

The rule implements section 1124 of FIRREA and establishes minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. FHFA has considered the impact of this regulation and determined that it is not likely to have a significant economic impact on a substantial number of small entities because States and FHFA's regulated entities—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—are not small entities for purposes of the RFA. See 5 U.S.C. 601(6).

NCUA: The RFA¹³⁵ requires NCUA to provide a regulatory flexibility analysis to certify that a rulemaking will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include credit unions with assets less

than \$50 million) and publish its certification and a short explanatory statement in the **Federal Register** with the final rule.¹³⁶ As explained above, the requirements of this rule would only apply directly to AMC subsidiaries owned and controlled by an insured depository institution, or an insured credit union, and regulated by a Federal financial institutions regulatory agency. NCUA, unlike the other banking agencies to this rulemaking, does not directly oversee or regulate any subsidiaries owned and controlled by credit unions, including AMC subsidiaries. Rather, NCUA's regulations permit Federal credit unions to invest in or lend only to CUSOs that conform to specific requirements outlined in part 712 of the NCUA's regulations. Because NCUA does not directly regulate or oversee CUSOs owned by State or Federally chartered credit unions, NCUA is not adopting regulatory text or any requirements through this rulemaking that would directly affect small entities. Accordingly, the NCUA Board certifies the rule will not have a significant economic impact on a substantial number of small entities.

Unfunded Mandates Reform Act of 1995 Determination

OCC: The OCC has analyzed the final rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA) (2 U.S.C. 1532). Under this analysis, the OCC considered whether the final rule includes Federal mandates that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year (adjusted annually for inflation). For the following reasons, the OCC finds that the final rule does not trigger the \$100 million UMRA threshold. First, the mandates in the final rule apply only to those States that choose to establish an AMC registration system. Second, the costs specifically related to requirements set forth in law are excluded from expenditures under the UMRA. Although the OCC estimates that expenditures by State governments could be \$82 million in one year, the UMRA cost estimate for the final rule is zero, given that the final rule's mandates are set forth in section 1473. For this reason, and for the other reasons cited above, the OCC has determined that this final rule will not result in expenditures by State, local, and tribal governments, or the private sector, of \$100 million or more in any one year. Accordingly, this

¹³³ The Bureau notes that the percentage of small institutions for which the estimated burden of the final rule would amount to over 3 percent of the revenue would remain under 1 percent even if the Bureau had used the following alternative assumptions: (1) \$5,150 as the assumed burden of the proposed rule for states that adopt new registration regimes—the highest among the existing state registration fees (in Minnesota, per

http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT_URI=tcm:27-117-32), and assumed this same amount as the annual renewal fee (even though the Minnesota renewal fee is only \$2,650, per http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT_URI=tcm:27-117-32); and (2) an additional annual labor cost of \$300 for any possible associated burden of (a) filling out registration and renewal forms in those states (assuming an AMC operates in approximately 20 states on average, such that 6.26 of those states adopt new AMC licensing programs) and any additional burden related to notices from small AMCs removing appraisers from their panels in those states. The percentages of institutions for which this cost would amount to over 1 percent of the revenue changed, respectively, to 26 percent, 18 percent, and 15 percent of the small institutions affected, according to the normal, generalized extreme value, and logistic distributions.

¹³⁴ 5 U.S.C. 605(b).

¹³⁵ 5 U.S.C. 601 *et seq.*

¹³⁶ 78 FR 4032 (Jan. 18, 2013).

final rule is not subject to section 202 of the UMRA.

List of Subjects

12 CFR Part 34

Appraisal, Appraiser, Banks, Banking, Consumer protection, Credit, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

12 CFR Part 208

Accounting, Agriculture, Banks, Banking, Confidential business information, Consumer protection, Crime, Currency, Insurance, Investments, Mortgages, Reporting and recordkeeping requirements, Securities.

12 CFR Part 225

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 323

Banks, Banking, Mortgages, Reporting and recordkeeping requirements, Savings associations.

12 CFR Part 1026

Advertising, Appraisal, Appraiser, Banks, Banking, Consumer protection, Credit, Credit unions, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

12 CFR Part 1222

Appraisals, Government sponsored enterprises, Mortgages.

Department of the Treasury

Office of the Comptroller of the Currency

Authority and Issuance

For the reasons set forth in the preamble, the OCC is amending 12 CFR part 34 as follows:

PART 34—REAL ESTATE LENDING AND APPRAISALS

- 1. The authority citation for part 34 is revised to read as follows:

Authority: 12 U.S.C. 1 *et seq.*, 25b, 29, 93a, 371, 1462a, 1463, 1464, 1465, 1701j–3, 1828(o), 3331 *et seq.*, 5101 *et seq.*, and 5412(b)(2)(B) and 15 U.S.C. 1639h.

- 2. Subpart H to part 34 is added to read as follows:

Subpart H—Appraisal Management Company Minimum Requirements

Sec.

34.210 Authority, purpose, and scope.

34.211 Definitions.

34.212 Appraiser panel—annual size calculation.

34.213 Appraisal management company registration.

34.214 Ownership limitations for State-registered appraisal management companies.

34.215 Requirements for Federally regulated appraisal management companies.

34.216 Information to be presented to the Appraisal Subcommittee by participating States.

§ 34.210 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Office of the Comptroller of the Currency under 12 U.S.C. 93a and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203, 124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines³ or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings associations, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

§ 34.211 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 34.212(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 34.212;

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

³ See <http://www.occ.gov/news-issuances/bulletins/2010/bulletin-2010-42.html>.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to

sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

§ 34.212 Appraiser panel—annual size calculation.

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 34.211(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with covered transactions.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the

AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

§ 34.213 Appraisal management company registration.

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 34.214 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably

designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

§ 34.214 Ownership limitations for State-registered appraisal management companies.

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 34.213 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 34.213 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

§ 34.215 Requirements for Federally regulated appraisal management companies.

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant

relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 34.213(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the Appraisal Subcommittee.

(2) A Federally regulated AMC is not barred by this paragraph (b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee, pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section, as applicable.

§ 34.216 Information to be presented to the Appraisal Subcommittee by participating States.

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

Board of Governors of the Federal Reserve System

For the reasons set forth in the preamble, the Board amends 12 CFR parts 208 and 225, as follows:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

■ 3. The authority citation for part 208 is revised to read as follows:

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1833(j), 1828(o), 1831, 1831o, 1831p–1, 1831r–1, 1831w, 1831x, 1835a, 1882, 2901–

2907, 3105, 3310, 3331–3351, 3353, and 3905–3909; 15 U.S.C. 78b, 78l(b), 78l(i), 780–4(c)(5), 78q, 78q–1, 78w, 1681s, 1681w, 6801 and 6805; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104b, 4106, and 4128.

■ 4. Revise the heading of subpart E to read as follows:

Subpart E—Real Estate Lending, Appraisal Standards, and Minimum Requirements for Appraisal Management Companies

■ 5. Section 208.50 is revised to read as follows:

§ 208.50 Authority, purpose, and scope.

(a) *Authority.* Subpart E of Regulation H (12 CFR part 208, subpart E) is issued by the Board of Governors of the Federal Reserve System pursuant to section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991, (12 U.S.C. 1828(o)), Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act, (12 U.S.C. 3331–3351), and section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (12 U.S.C. 3353).

(b) *Purpose and scope.* This subpart prescribes standards for real estate lending to be used by state member banks in adopting internal real estate lending policies. The standards applicable to appraisals rendered in connection with Federally related transactions entered into by member banks and the minimum requirements for appraisal management companies are set forth in 12 CFR part 225, subparts G and M respectively (Regulation Y).

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

■ 6. The authority citation for part 225 is revised to read as follows:

Authority: 12 U.S.C. 1844(b), 3106 and 3108, 1817(j)(13), 1818(b), 1831i, 1972, 3310, 3331–3351 and 3353; 12 U.S.C. 3901, *et seq.*; and 12 U.S.C. 1841, *et seq.*

■ 7. Subpart M is added to part 225 to read as follows:

Subpart M—Minimum Requirements for Appraisal Management Companies

Sec.

225.190 Authority, purpose, and scope.

225.191 Definitions.

225.192 Appraiser panel—annual size calculation.

225.193 Appraisal management company registration.

225.194 Ownership limitations for State-registered appraisal management companies.

225.195 Requirements for Federally regulated appraisal management companies.

225.196 Information to be presented to the Appraisal Subcommittee by participating States.

§ 225.190 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (Pub. L. 101–73, 103 Stat. 183 (1989)), 12 U.S.C. 3310, 3331–3351, section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 3353, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b).

(b) *Purpose and scope.* (1) The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353. Title XI provides protection for Federal financial and public policy interests in real estate related transactions by requiring real estate appraisals used in connection with Federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This subpart implements the requirements of title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act and applies to all Federally related transactions and to States and to appraisal management companies (AMCs) performing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(2) This subpart:

(i) Identifies which real estate related financial transactions require the services of an appraiser.

(ii) Prescribes which categories of Federally related transactions shall be appraised by a State-certified appraiser and which by a State-licensed appraiser;

(iii) Prescribes minimum standards for the performance of real estate appraisals in connection with Federal related transactions under the jurisdiction of the Board;

(iv) Prescribes minimum requirements to be applied by participating States in the registration and supervision of AMCs; and

(v) Prescribes minimum requirements to be applied by participating States to report certain information concerning AMCs registered with the States to a national registry of AMCs.

(c) *Rule of construction.* Nothing in this subpart should be construed to

prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines¹ or other relevant agency guidance that cautions banks and bank holding companies, that each organization is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the creditor.

§ 225.191 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c) *Appraisal Foundation* means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.

(d)(1) *Appraisal management company (AMC)* means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a 12-month period, as defined in § 225.192(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 225.192;

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(e) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and

secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(f) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this part if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit,

¹ See, Agencies issue final appraisal and evaluation guidelines, <http://www.federalreserve.gov/newsevents/press/bcreg/20101202a.htm>.

cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one “principal” dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer’s principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

§ 225.192 Appraiser panel—annual size calculation.

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 225.191(d)(1)(iii)—

(a) An appraiser is deemed part of the AMC’s appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC’s consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with a covered transaction.

(b) An appraiser who is deemed part of the AMC’s appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC’s appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC’s removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC’s appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC’s appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

§ 225.193 Appraisal management company registration.

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 225.194 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC’s application for initial registration;

(2) Review and renew or review and deny an AMC’s registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC’s appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC’s violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC’s operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

§ 225.194 Ownership limitations for State-registered appraisal management companies.

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 225.193 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 225.193 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

§ 225.195 Requirements for Federally regulated appraisal management companies.

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 225.193(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred by this paragraph (b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section.

§ 225.196 Information to be presented to the Appraisal Subcommittee by participating States.

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

Federal Deposit Insurance Corporation

Authority and Issuance

For the reasons set forth in the preamble, the FDIC amends 12 CFR parts 323 and 390 as follows:

PART 323—APPRAISALS

■ 8. Revise the authority citation for part 323 to read as follows:

Authority: 12 U.S.C. 1818, 1819 [“Seventh” and “Tenth”] and 3331 *et seq.*

■ 9. Add a heading for new subpart A to read as follows:

Subpart A—Appraisals Generally

§§ 323.1 through 323.7—[Designated as subpart A]

■ 10. Designate §§ 323.1 through 323.7 as new subpart A.

§§ 323.1, 323.3, 323.4, and 323.5—[Amended]

■ 11. Amend §§ 323.1, 323.3, 323.4, and 323.5 by removing “part” and adding “subpart” in its place in each instance in which it appears.

■ 12. Add subpart B to part 323 to read as follows:

Subpart B—Appraisal Management Company Minimum Requirements

Sec.

323.8 Authority, purpose, and scope.

323.9 Definitions.

323.10 Appraiser panel—annual size calculation.

323.11 Appraisal management company registration.

323.12 Ownership limitations for State-registered appraisal management companies.

323.13 Requirements for Federally regulated appraisal management companies.

323.14 Information to be presented to the Appraisal Subcommittee by participating States.

§ 323.8 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued pursuant to 12 U.S.C. 1818, 1819 [“Seventh” and “Tenth”] and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-

Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203, 124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines¹ or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings association, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

§ 323.9 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 323.10(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 323.12;

¹ <https://www.fdic.gov/regulations/laws/rules/5000-4800.html>.

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the

requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories

of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

§ 323.10 Appraiser panel—annual size calculation.

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 323.9(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with a covered transaction.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

§ 323.11 Appraisal management company registration.

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 323.12 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institution regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally regulated transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

§ 323.12 Ownership limitations for State-registered appraisal management companies.

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to this section shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to this section is not barred by § 323.11(a)(1) from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

§ 323.13 Requirements for Federally regulated appraisal management companies.

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 323.11(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred by § 323.12(b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or

States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in § 323.12, as applicable.

§ 323.14 Information to be presented to the Appraisal Subcommittee by participating States.

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

PART 390—REGULATIONS TRANSFERRED FROM THE OFFICE OF THRIFT SUPERVISION

■ 13. The authority citation for part 390 is revised to read as follows:

Authority: 12 U.S.C. 1819.

Subpart A also issued under 12 U.S.C. 1820.

Subpart B also issued under 12 U.S.C. 1818.

Subpart C also issued under 5 U.S.C. 504; 554–557; 12 U.S.C. 1464; 1467; 1468; 1817; 1818; 1820; 1829; 3349, 4717; 15 U.S.C. 78l; 78o–5; 78u–2; 28 U.S.C. 2461 note; 31 U.S.C. 5321; 42 U.S.C. 4012a.

Subpart D also issued under 12 U.S.C. 1817; 1818; 1820; 15 U.S.C. 78l.

Subpart E also issued under 12 U.S.C. 1813; 1831m; 15 U.S.C. 78.

Subpart F also issued under 5 U.S.C. 552; 559; 12 U.S.C. 2901 *et seq.*

Subpart G also issued under 12 U.S.C. 2810 *et seq.*, 2901 *et seq.*; 15 U.S.C. 1691; 42 U.S.C. 1981, 1982, 3601–3619.

Subpart I also issued under 12 U.S.C. 1831x.

Subpart J also issued under 12 U.S.C. 1831p–1.

Subpart K also issued under 12 U.S.C. 1817; 1818; 15 U.S.C. 78c; 78l.

Subpart L also issued under 12 U.S.C. 1831p–1.

Subpart M also issued under 12 U.S.C. 1818.

Subpart N also issued under 12 U.S.C. 1821.

Subpart O also issued under 12 U.S.C. 1828.

Subpart P also issued under 12 U.S.C. 1470; 1831e; 1831n; 1831p–1; 3339.

Subpart Q also issued under 12 U.S.C. 1462; 1462a; 1463; 1464.

Subpart R also issued under 12 U.S.C. 1463; 1464; 1831m; 1831n; 1831p–1.

Subpart S also issued under 12 U.S.C. 1462; 1462a; 1463; 1464; 1468a; 1817; 1820; 1828; 1831e; 1831o; 1831p–1; 1881–1884; 3207; 3339; 15 U.S.C. 78b; 78l; 78m; 78n; 78p; 78q; 78w; 31 U.S.C. 5318; 42 U.S.C. 4106.

Subpart T also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78w.

Subpart U also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78p; 78w; 78d–1; 7241; 7242; 7243; 7244; 7261; 7264; 7265.

Subpart V also issued under 12 U.S.C. 3201–3208.

Subpart W also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78p; 78w.

Subpart Y also issued under 12 U.S.C. 1831o.

Subpart Z also issued under 12 U.S.C. 1462; 1462a; 1463; 1464; 1828 (note).

Subpart X—[Removed and Reserved]

■ 14. Remove and reserve subpart X consisting of §§ 390.440 through 390.447.

Bureau of Consumer Financial Protection

Authority and Issuance

For the reasons stated above, the Bureau amends Regulation Z, 12 CFR part 1026, as follows:

PART 1026—TRUTH IN LENDING (REGULATION Z)

■ 15. The authority citation for part 1026 is revised to read as follows:

Authority: 12 U.S.C. 2601, 2603–2605, 2607, 2609, 2617, 3353, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 *et seq.*

Subpart A—General

■ 16. Section 1026.1 is amended by revising paragraph (a) to read as follows:

§ 1026.1 Authority, purpose, coverage, organization, enforcement, and liability.

(a) *Authority.* This part, known as Regulation Z, is issued by the Bureau of Consumer Financial Protection to implement the Federal Truth in Lending Act, which is contained in title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). This part also implements title XII, section 1204 of the Competitive Equality Banking Act of 1987 (Pub. L. 100–86, 101 Stat. 552). Furthermore, this part implements certain provisions of the Real Estate Settlement Procedures Act of 1974, as amended (12 U.S.C. 2601 *et seq.*). In addition, this part implements certain provisions of the Financial Institutions Reform, Recovery, and Enforcement Act, as amended (12 U.S.C.

3331 *et seq.*). The Bureau's information-collection requirements contained in this part have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. 3501 *et seq.* and have been assigned OMB No. 3170–0015 (Truth in Lending).

* * * * *

Subpart E—Special Rules for Certain Home Mortgage Transactions

■ 17. Section 1026.42 is amended by adding paragraph (h) to read as follows:

§ 1026.42 Valuation independence.

* * * * *

(h) The Bureau issued a joint rule to implement the appraisal management company minimum requirements in the Financial Institutions Reform, Recovery, and Enforcement Act, as amended by section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. *See* 12 CFR part 34.

Federal Housing Finance Agency

Authority and Issuance

For the reasons set forth in the **SUPPLEMENTARY INFORMATION**, FHFA amends 12 CFR part 1222, as follows:

PART 1222—APPRAISALS

■ 18. The authority citation for part 1222 is revised to read as follows:

Authority: 12 U.S.C. 4501 *et seq.*, 12 U.S.C. 4526 and 15 U.S.C. 1639h.

■ 19. Add subpart B to part 1222 to read as follows:

Subpart B—Appraisal Management Company Minimum Requirements

Sec.

1222.20 Authority, purpose, and scope.

1222.21 Definitions.

1222.22 Appraiser panel—annual size calculation.

1222.23 Appraisal management company registration.

1222.24 Ownership limitations for State-registered appraisal management companies.

1222.25 Requirements for Federally regulated appraisal management companies.

1222.26 Information to be presented to the Appraisal Subcommittee by participating States.

§ 1222.20 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Federal Housing Finance Agency pursuant to 12 U.S.C. 4501 *et seq.*, 12 U.S.C. 4526, and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203,

124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines¹ or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings associations, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

§ 1222.21 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 1222.22(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 1222.22;

(2) An AMC does not include a department or division of an entity that

¹ 75 FR 77450 (December 10, 2010).

provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by

a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and that is regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories

of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

§ 1222.22 Appraiser panel—annual size calculation.

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 1222.21(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with covered transactions.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

§ 1222.23 Appraisal management company registration.

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 1222.24 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of

the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

§ 1222.24 Ownership limitations for State-registered appraisal management companies.

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 1222.23 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 1222.23 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

§ 1222.25 Requirements for Federally regulated appraisal management companies.

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 1222.23(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred pursuant to paragraph (b)(1) of this section from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section, as applicable.

§ 1222.26 Information to be presented to the Appraisal Subcommittee by participating States.

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

Dated: April 21, 2015.

Thomas J. Curry,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, April 29, 2015

Robert deV. Frierson,

Secretary of the Board.

Dated: April 21, 2015.

Robert E. Feldman,

Executive Secretary.

By order of the Board of Directors.

Federal Deposit Insurance Corporation.

Dated: April 14, 2015.

Richard Cordray,

Director, Bureau of Consumer Financial Protection.

Dated: March 23, 2015.

Melvin L. Watt,

Director, Federal Housing Finance Agency.

In concurrence:

Dated: April 22, 2015.

Gerard Poliquin,

Secretary of the Board, NCUA.

[FR Doc. 2015–12719 Filed 6–8–15; 8:45 am]

BILLING CODE 4810–33–P; 6210–01–P; 6714–01–P; 7535–01–P; 4810–AM–P; 8070–01–P

policies to be developed by the Appraisal Subcommittee, to support the efforts of such agencies to comply with this title, including—

- (A) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and
 - (B) the submission of data on State licensed and certified appraisers and appraisal management companies to the National appraisal registry, including information affirming that the appraiser or appraisal management company meets the required qualification criteria and formal and informal disciplinary actions; and
- (6) to report to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked, or suspended.

§ 1110. Functions of Federal financial institutions regulatory agencies relating to appraisal standards [12 U.S.C. § 3339]

Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of each such agency or instrumentality. These rules shall require, at a minimum—

- (1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation;
- (2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities; and
- (3) that such appraisals shall be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

§ 1111. Time for proposal and adoption of standards [12 U.S.C. § 3340]

Appraisal standards established under this title shall be proposed not later than 6 months and shall be adopted in final form and become effective not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

§ 1112. Functions of Federal financial institutions regulatory agencies relating to appraiser qualifications [12 U.S.C. § 3341]

(a) *In general.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title [12 USCS §§ 3342, 3343], which categories of federally related transactions should be appraised by a State certified appraiser and which by a State licensed appraiser under this title.

(b) *Threshold level.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions and receives concurrence from the Bureau of Consumer Financial Protection that such threshold level provides reasonable protection for consumers who purchase 1–4 unit single-family residences.

(c) *GAO study of appraisals in connection with real estate related financial transactions below the threshold level.*

(1) *GAO studies.* The Comptroller General of the United States may conduct, under such conditions as the Comptroller General determines appropriate, studies on the adequacy and quality of appraisals or evaluations conducted in connection with real estate related financial transactions below the threshold level established under subsection (b), taking into account—

- (A) the cost to any financial institution involved in any such transaction;
- (B) the possibility of losses to the Deposit Insurance Fund or the National Credit Union Share Insurance Fund;
- (C) the cost to any customer involved in any such transaction; and
- (D) the effect on low-income housing.

(2) *Reports to Congress and the appropriate Federal financial institutions regulatory agencies.* Upon completing each of the studies referred to in paragraph (1), the Comptroller General shall submit a report on the Comptroller General's findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

§ 1113. Transactions requiring the services of a State certified appraiser [12 U.S.C. § 3342]

In determining whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser, an agency or instrumentality under this title shall consider whether transactions, either individually or collectively, are of sufficient financial or public policy importance to the United States that an individual who performs an appraisal in connection with such transactions should be a State certified appraiser, except that—

- (1) a State certified appraiser shall be required for all federally related transactions having a value of \$1,000,000 or more; and
- (2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser, where a complex 1-to-4 unit single family residential appraisal means an appraisal for which the property to be appraised, the form of ownership, the property characteristics, or the market conditions are atypical.

§ 1114. Transactions requiring the services of a State licensed appraiser [12 U.S.C. § 3343]

All federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser.

§ 1115. Time for proposal and adoption of rules [12 U.S.C. § 3344]

As appropriate, rules issued under sections 1113 and 1114 [12 USCS §§ 3342 and 3343] shall be proposed not later than 6 months and shall be effective upon adoption in final form not later than

12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

§ 1116. Certification and licensing requirements [12 U.S.C. § 3345]

(a) *In general.* For purposes of this title, the term “State certified real estate appraiser” means any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation.

(b) *Restriction.* No individual shall be a State certified real estate appraiser under this section unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board of the Appraisal Foundation.

(c) *“State licensed appraiser” defined.* As used in this section, the term “State licensed appraiser” means an individual who has satisfied the requirements for State licensing in a State or territory whose criteria for the licensing of a real estate appraiser currently meet or exceed the minimum criteria issued by the Appraisal Qualifications Board of The Appraisal Foundation for the licensing of real estate appraisers.

(d) *Additional qualification criteria.* Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

(e) *Minimum Qualification Requirements.*— Any requirements established for individuals in the position of ‘Trainee Appraiser’ and ‘Supervisory Appraiser’ shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation. The Appraisal Subcommittee shall have the authority to enforce these requirements.

§ 1117. Establishment of State appraiser certifying and licensing agencies [12 U.S.C. § 3346]

To assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers, a State may establish a State appraiser certifying and licensing agency. The duties of such agency may additionally include the registration and supervision of appraisal management companies and the addition of information about the appraisal management company to the national registry.

§ 1118. Monitoring of State appraiser certifying and licensing agencies [12 U.S.C. § 3347]

(a) *In general.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purposes of determining whether such agency—

- (1) has policies, practices, funding, staffing, and procedures that are consistent with this title;
- (2) processes complaints and completes investigations in a reasonable time period;
- (3) appropriately disciplines sanctioned appraisers and appraisal management companies;

- (4) maintains an effective regulatory program; and
- (5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.

The Appraisal Subcommittee shall have the authority to remove a State licensed or certified appraiser or a registered appraisal management company from a national registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration, and disciplinary proceedings. The Appraisal Subcommittee and all agencies, instrumentalities, and Federally recognized entities under this title shall not recognize appraiser certifications and licenses from States whose appraisal policies, practices, funding, staffing, or procedures are found to be inconsistent with this title. The Appraisal Subcommittee shall have the authority to impose sanctions, as described in this section, against a State agency that fails to have an effective appraiser regulatory program. In determining whether such a program is effective, the Appraisal Subcommittee shall include an analysis of the licensing and certification of appraisers, the registration of appraisal management companies, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and appraisal management companies, the investigation of complaints, and enforcement actions against appraisers and appraisal management companies. The Appraisal Subcommittee shall have the authority to impose interim actions and suspensions against a State agency as an alternative to, or in advance of the derecognition of a State agency.

(b) *Disapproval by Appraisal Subcommittee.* The Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that—

- (1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;
- (2) the State agency is not granted authority or sufficient funding by the State which is adequate to permit the agency to carry out its functions under this title; or
- (3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

(c) *Rejection of State certifications and licenses.*

- (1) *Opportunity to be heard or correct conditions.* Before refusing to recognize a State's appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State's certifying and licensing agency a written notice of its intention not to recognize the State's certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.
- (2) *Adoption of procedures.* The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.
- (3) *Judicial review.* A decision of the subcommittee under this section shall be subject to judicial review.

§ 1119. Recognition of State certified and licensed appraisers for purposes of

this title [12 U.S.C. § 3348]

(a) *Effective date for use of certified or licensed appraisers only.*

(1) *In general.* Not later than December 31, 1992, all appraisals performed in connection with federally related transactions shall be performed only by individuals certified or licensed in accordance with the requirements of this title.

(2) *Extension of effective date.* Subject to the approval of the Council, the Appraisal Subcommittee may extend, until December 31, 1991, the effective date for the use of certified or licensed appraisers if it makes a written finding that a State has made substantial progress in establishing a State certification and licensing system that appears to conform to the provisions of this title.

(b) *Temporary waiver of appraiser certification or licensing requirements for State having scarcity of qualified appraisers.* Subject to the approval of the Council, the Appraisal Subcommittee may waive any requirement relating to certification or licensing of a person to perform appraisals under this title if the Appraisal Subcommittee or a State agency whose certifications and licenses are in compliance with this title, makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

(c) *Reports to State certifying and licensing agencies.* The Appraisal Subcommittee, any other Federal agency or instrumentality, or any federally recognized entity shall report any action of a State certified or licensed appraiser that is contrary to the purposes of this title to the appropriate State agency for a disposition of the subject of the referral. The State agency shall provide the Appraisal Subcommittee or the other Federal agency or instrumentality with a report on its disposition of the matter referred. Subsequent to such disposition, the subcommittee or the agency or instrumentality may take such further action, pursuant to written procedures, it deems necessary to carry out the purposes of this title.

§ 1120. Violations in obtaining and performing appraisals in federally related transactions [12 U.S.C. § 3349]

(a) *Violations.* Except as authorized by the Appraisal Subcommittee in exercising its waiver authority pursuant to section 1119(b) [12 USCS § 3348(b)], it shall be a violation of this section—

(1) for a financial institution to seek, obtain, or give money or any other thing of value in exchange for the performance of an appraisal by a person who the institution knows is not a State certified or licensed appraiser in connection with a federally related transaction; and

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) [12 USCS § 3350(5)] to which such association or corporation is a party.

(b) *Penalties.* A financial institution that violates subsection (a)(1) shall be subject to civil

penalties under section 8(i)(2) of the Federal Deposit Insurance Act or section 206(k)(2) of the Federal Credit Union Act [12 USCS § 1818(i)(2) or 1786(k)(2)], as appropriate.

(c) *Proceeding*. A proceeding with respect to a violation of this section shall be an administrative proceeding which may be conducted by a Federal financial institutions regulatory agency in accordance with the procedures set forth in subchapter II of chapter 5 of title 5, United States Code [5 USCS §§ 551 et seq.].

§ 1121. Definitions [12 U.S.C. § 3350]

For purposes of this title:

(1) *State appraiser certifying and licensing agency*. The term “State appraiser certifying and licensing agency” means a State agency established in compliance with this title.

(2) *Appraisal Subcommittee; subcommittee*. The terms “Appraisal Subcommittee” and “subcommittee” mean the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(3) *Council*. The term “Council” means the Federal Financial Institutions Examination Council.

(4) *Federally related transaction*. The term “federally related transaction” means any real estate-related financial transaction which—

- (A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and
- (B) requires the services of an appraiser.

(5) *Real estate related financial transaction*. The term “real estate-related financial transaction” means any transaction involving—

- (A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;
- (B) the refinancing of real property or interests in real property; and
- (C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(6) *Federal financial institutions regulatory agencies*. The term “Federal financial institutions regulatory agencies” means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

(7) *Financial institution*. The term “financial institution” means an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act [12 USCS § 1813] or an insured credit union as defined in section 101 of the Federal Credit Union Act [12 USCS § 1752].

(8) *Chairperson*. The term “Chairperson” means the Chairperson of the Appraisal Subcommittee selected by the Council.

(9) *Foundation*. The terms “Appraisal Foundation” and “Foundation” means [mean] the

Appraisal Foundation established on November 30, 1987, as a not for profit corporation under the laws of Illinois.

(10) *Written appraisal*. The term “written appraisal” means a written statement used in connection with a federally related transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(11) *Appraisal Management Company*.—

The term ‘appraisal management company’ means, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

- (A) to recruit, select, and retain appraisers;
- (B) to contract with licensed and certified appraisers to perform appraisal assignments;
- (C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or
- (D) to review and verify the work of appraisers.

§ 1122. Miscellaneous provisions [12 U.S.C. § 3351]

(a) *Temporary practice*.

(1) In general. A State appraiser certifying or licensing agency shall recognize on a temporary basis the certification or license of an appraiser issued by another State if—

- (A) the property to be appraised is part of a federally related transaction,
- (B) the appraiser’s business is of a temporary nature, and
- (C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.

(2) *Fees for temporary practice*. A State appraiser certifying or licensing agency shall not impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice under this subsection.

(b) *Reciprocity*. Notwithstanding any other provisions of this title, a federally related transaction shall not be appraised by a certified or licensed appraiser unless the State appraiser certifying or licensing agency of the State certifying or licensing such appraiser has in place a policy of issuing a reciprocal certification or license for an individual from another State when—

- (1) the appraiser licensing and certification program of such other State is in compliance with the provisions of this title; and
- (2) the appraiser holds a valid certification from a State whose requirements for certification or licensing meet or exceed the licensure standards established by the State where an individual seeks appraisal licensure.

(c) *Supplemental funding.* Funds available to the Federal financial institutions regulatory agencies may be made available to the Financial Institutions Examination Council to support the Council's functions under this title.

(d) *Prohibition against discrimination.* Criteria established by the Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation for appraiser qualifications in addition to State certification or licensing 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.

(e) *Other requirements.* A corporation, partnership, or other business entity may provide appraisal services in connection with federally related transactions if such appraisal is prepared by individuals certified or licensed in accordance with the requirements of this title. An individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if—

- (1) the assistant is under the direct supervision of a licensed or certified individual; and
- (2) the final appraisal document is approved and signed by an individual who is certified or licensed.

(f) *Studies.*

(1) *Study.* The Appraisal Subcommittee shall—

(A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and

(B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.

(2) *Report.* The Appraisal Subcommittee shall— (A) report its findings to the Congress with respect to the study described in paragraph (1)(A) no later than 12 months after the date of the enactment of this title [enacted Aug. 9, 1989], and (B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later than 18 months after the date of the enactment of this title [enacted Aug. 9, 1989].

(g) *Appraiser Independence Monitoring.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purpose of determining whether such agency's policies, practices, and procedures are consistent with the purposes of maintaining appraiser independence and whether such State has adopted and maintains effective laws, regulations, and policies aimed at maintaining appraiser independence.

(h) *Approved Education.*—The Appraisal Subcommittee shall encourage the States to accept courses approved by the Appraiser Qualification Board's Course Approval Program.

(i) *Appraisal Complaint National Hotline.*—If, 6 months after the date of the enactment of this subsection, the Appraisal Subcommittee determines that no national hotline exists to receive complaints of non-compliance with appraisal independence standards and Uniform Standards of Professional Appraisal Practice, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process, the Appraisal Subcommittee shall establish and operate such a national hotline, which shall include a toll-free telephone number and an email address. If the Appraisal Subcommittee operates such a national hotline, the Appraisal Subcommittee shall refer complaints for further action to appropriate governmental bodies, including a State appraiser certifying and licensing agency, a financial institution regulator, or other appropriate legal authorities. For complaints referred to State appraiser certifying and licensing agencies or to Federal regulators, the Appraisal Subcommittee shall have the authority to follow up such complaint referrals in order to determine the status of the resolution of the complaint.

§ 1123. Emergency exceptions for disaster areas [12 U.S.C. § 3352]

(a) *In general.* Each Federal financial institutions regulatory agency may, by regulation or order, make exceptions to this title, and to standards prescribed pursuant to this title, for transactions involving institutions for which the agency is the primary Federal regulator with respect to real property located within a disaster area if the agency—

- (1) makes the exception not later than 30 months after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], that a major disaster exists in the area; and
- (2) determines that the exception—
 - (A) would facilitate recovery from the major disaster; and
 - (B) is consistent with safety and soundness.

(b) *3-year limit on exceptions.* Any exception made under this section shall expire not later than 3 years after the date of the determination referred to in subsection (a)(1).

(c) *Publication required.* Any Federal financial institutions regulatory agency shall publish in the Federal Register a statement that—

- (1) describes any exception made under this section; and
- (2) explains how the exception—
 - (A) would facilitate recovery from the major disaster; and
 - (B) is consistent with safety and soundness.

(d) *“Disaster area” defined.* For purposes of this section, the term “disaster area” means an area in which the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], has determined that a major disaster exists.

§ 1124. Appraisal Management Company Minimum Requirements [12 U.S.C. § 3353]

(a) *In General.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly, by rule, establish minimum requirements to be applied by a State in the registration

of appraisal management companies. Such requirements shall include a requirement that such companies—

- (1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;
- (2) verify that only licensed or certified appraisers are used for federally related transactions;
- (3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and
- (4) require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

(b) *Relation to State Law.*—Nothing in this section shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection (a).

(c) *Federally Regulated Financial Institutions.*—The requirements of subsection (a) shall apply to an appraisal management company that is a subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency. An appraisal management company that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State.

(d) *Registration Limitations.*—An appraisal management company shall not be registered by a State or included on the national registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Additionally, each person that owns more than 10 percent of an appraisal management company shall be of good moral character, as determined by the State appraiser certifying and licensing agency, and shall submit to a background investigation carried out by the State appraiser certifying and licensing agency.

(e) *Reporting.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly promulgate regulations for the reporting of the activities of appraisal management companies to the Appraisal Subcommittee in determining the payment of the annual registry fee.

(f) *Effective Date.*—

(1) *In General.*—No appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months after the date on which the regulations required to be prescribed under subsection (a) are prescribed in final form unless such company is registered with such State or subject to oversight by a Federal financial institutions regulatory agency.

(2) *Extension of Effective Date.*—Subject to the approval of the Council, the Appraisal Subcommittee may extend by an additional 12 months the requirements for the registration and supervision of appraisal management companies if it makes a written

finding that a State has made substantial progress in establishing a State appraisal management company registration and supervision system that appears to conform with the provisions of this title.

§ 1125. Automated Valuation Models Used to Estimate Collateral Value for Mortgage Lending Purposes [12 U.S.C. § 3354]

(a) *In general.*—Automated valuation models shall adhere to quality control standards designed to—

- (1) ensure a high level of confidence in the estimates produced by automated valuation models;
- (2) protect against the manipulation of data;
- (3) seek to avoid conflicts of interest;
- (4) require random sample testing and reviews; and
- (5) account for any other such factor that the agencies listed in subsection (b) determine to be appropriate.

(b) *Adoption of Regulations.*—The Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection, in consultation with the staff of the Appraisal Subcommittee and the Appraisal Standards Board of the Appraisal Foundation, shall promulgate regulations to implement the quality control standards required under this section.

(c) *Enforcement.*—Compliance with regulations issued under this subsection shall be enforced by—

- (1) with respect to a financial institution, or subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency, the Federal financial institution regulatory agency that acts as the primary Federal supervisor of such financial institution or subsidiary; and
- (2) with respect to other participants in the market for appraisals of 1-to-4 unit single family residential real estate, the Federal Trade Commission, the Bureau of Consumer Financial Protection, and a State attorney general.

(d) *Automated Valuation Model Defined.*— For purposes of this section, the term ‘automated valuation model’ means any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer’s principal dwelling.

§ 1126. Broker Price Opinions [12 U.S.C. § 3355]

(a) *General Prohibition.*—In conjunction with the purchase of a consumer’s principal dwelling, broker price opinions may not be used as the primary basis to determine the value of a piece of property for the purpose of a loan origination of a residential mortgage loan secured by such piece of property.

(b) *Broker Price Opinion Defined.*—For purposes of this section, the term ‘broker price opinion’ means an estimate prepared by a real estate broker, agent, or sales person that details the

probable selling price of a particular piece of real estate property and provides a varying level of detail about the property's condition, market, and neighborhood, and information on comparable sales, but does not include an automated valuation model, as defined in section 1125(c).

THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

AND INTERPRETATIONS OF THE CRITERIA

Real Property Appraiser Qualification Criteria
Effective January 1, 2026

Appendix:
AQB Guide Notes



The Appraisal
FOUNDATION®

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD



VISION AND MISSION STATEMENT OF THE APPRAISAL FOUNDATION®

VISION STATEMENT

To ensure public trust in the valuation profession.

MISSION STATEMENT

Advance the valuation profession by setting standards of excellence, promoting education, and upholding public trust.

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the congressionally authorized standards and qualifications for real estate appraisers and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org.

A note on the March 2026 republication of the 2026 Criteria:

The 2026 *Criteria* were adopted on June 22, 2023 with an effective date of January 1, 2026. They were first printed and distributed in June 2024. The March 2026 reprint includes changes adopted on December 5, 2025, outlined on page 5 of this document.

The content of this publication is subject to copyright. The Appraisal Foundation reserves all rights, express or implied, with respect to it. Copying, reproducing, duplication, alteration or otherwise of any portion hereof, published in electronic or paper format or form, including using it with artificial intelligence models/databases, is strictly prohibited without the express, prior and written permission of The Appraisal Foundation.



TABLE OF CONTENTS

What is the Appraiser Qualifications Board?	3
<i>Real Property Appraiser Qualification Criteria Effective January 1, 2026</i>	7
Definitions	8
General Interpretations	8
Criteria Applicable To All Appraiser Classifications	9
Standards of Practice	9
Existing Credential Holders.	9
Generic Education Criteria	9
Generic Examination Criteria	13
Generic Experience Criteria	13
Practical Applications of Real Estate Appraisal (PAREA).	14
Background Checks.	15
Interpretations and Guide Notes (GN).	15
Supervisory Appraiser Requirements.	17
General	17
REAL PROPERTY APPRAISER CLASSIFICATIONS:	
Trainee Real Property Appraiser	19
General	19
Examination	19
Qualifying Education	19
Experience	20
Training	20
Licensed Residential Real Property Appraiser	21
General	21
Examination	21
Qualifying Education	21
Experience	21
Certified Residential Real Property Appraiser.	22
General	22
Examination	22
Qualifying Education	22
Experience	24
Certified General Real Property Appraiser	25
General	25
Examination	25



Qualifying Education	25
Experience	26
Required Core Curriculum.	27
Supervisory Appraiser/Trainee Appraiser Course Objectives and Outline.	29
Course Objectives.	29
Course Content Outline.	29
Valuation Bias and Fair Housing Laws and Regulations Course Outline.	33
Practical Applications of Real Estate Appraisal (PAREA®)	34
Minimum Content Requirements – Licensed Residential Classification	34
Minimum Content Requirements – Certified Residential Classification	38

Appendix:

GUIDE NOTES

AQB Guide Note 1 (GN-1): AQB Guidance for Required Core Curriculum Content	42
AQB Guide Note 2 (GN-2): AQB Guidance for Criteria Implementation (retired)	45
AQB Guide Note 3 (GN-3): AQB Guidance on the Scope of Practice for the Licensed Residential and Certified Residential Classifications	46
AQB Guide Note 4 (GN-4): AQB Guidance on Practicum Courses (retired)	47
AQB Guide Note 5 (GN-5): AQB Guidance for Existing Credential Holders	48
AQB Guide Note 6 (GN-6): AQB Guidance on Verification of Experience Credit	50
AQB Guide Note 7 (GN-7): AQB Guidance on Degree Programs in Real Estate (retired).	53
AQB Guide Note 8 (GN-8): AQB Guidance on College-Level Education from Foreign Degree-Granting Colleges/Universities (retired)	54
AQB Guide Note 9 (GN-9): AQB Guidance on Background Check Requirements.	55
AQB Guide Note 10 (GN-10): AQB Guidance on College-Level Education Requirements for Certified Residential Credential.	57
AQB GUIDE NOTE 11 (GN-11): AQB Guidance For Delivery Methods And Techniques In PAREA Training	60

APPRAISER QUALIFICATIONS BOARD	72
---	-----------

WHAT IS THE AQB?

The Appraiser Qualifications Board (AQB) is an independent board of The Appraisal Foundation (Foundation). The AQB is comprised of at least five practicing appraisers who are appointed by the Foundation's Board of Trustees for one- to three-year terms.

Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification as well as Supervisory Appraiser requirements. In addition, the AQB performs a number of ancillary duties related to real property and personal property appraiser qualifications (see "Other AQB Work" on page 5).

REAL PROPERTY APPRAISER QUALIFICATION CRITERIA, INTERPRETATIONS OF THE CRITERIA, GUIDE NOTES, AND Q&As

States are required to implement appraiser licensing and certification requirements that are no less stringent than those issued by the AQB in the *Real Property Appraiser Qualification Criteria (Criteria)*.

The AQB has statutory authority to develop mandatory *Criteria* for Supervisory Appraisers (not an appraiser credential classification) and the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General appraiser classifications. If a state has these classifications, they are required to adopt these *Criteria*, at a minimum, for appraisals performed in federally-related transactions.

The original *Criteria*, adopted by the AQB in March 1991, included the following classifications: Licensed Residential, Certified Residential, and Certified General. Each of these classifications included requirements for education, experience, and an examination. The Trainee Appraiser classification was adopted by the AQB in 1993 and does not include experience or examination requirements.

After public exposure, the AQB adopted revisions to all classifications in early 1994 for implementation in January 1998. Major components of the revised *Criteria* included:

- An increase in the qualifying education requirements for the Licensed Residential and Certified General classifications;
- The requirement that all real property appraisers take the *15-Hour National Uniform Standards of Professional Appraisal Practice (USPAP) Course*;
- An increase in the experience requirements for the Certified Residential and Certified General Classifications from 2,000 to 2,500 hours, and from 2,000 to 3,000 hours, respectively; and
- An increase in the annual continuing education requirement from 10 to 14 classroom hours for all classifications.

After thorough public exposure, the AQB adopted significant revisions to the *Criteria* in early 2004 for implementation in January 2008. Highlights of the major revisions include:

- An increase in the qualifying education requirements for the Licensed Residential, Certified Residential, and Certified General classifications. The required education hours were raised from 90 to 150 hours for the Licensed Residential classification, 120 to 200 hours for the Certified Residential classification, and 180 to 300 hours for the Certified General classification; and
- A requirement for college-level education for the Certified Residential and Certified General classifications. The Certified Residential classification required an Associate degree or higher; or in lieu of a degree, a minimum of 21 college semester hours in specified coursework. The Certified General required a Bachelor's degree or higher, or in lieu of a degree, a minimum of 30 semester hours in specified college course work.



After five exposure drafts, in December 2011 the AQB adopted revisions to the *Criteria* for implementation in January 2015. Major revisions include:

- Education and experience must be completed prior to taking the *National Uniform Licensing and Certification Examinations*;
- Applicants for the Certified Residential and Certified General classifications must have a Bachelor's degree or higher from an accredited college or university;
- Applicants for the Licensed Residential classification must successfully complete 30 semester hours of college-level education from an accredited college, junior college, community college, or university, or have an Associate's degree or higher from an accredited college, junior college, community college, or university;
- Recognition of university degree programs as counting toward the education requirements in the *Criteria*;
- Removal of the "Segmented" Approach to implementation of the *Criteria*;
- Prohibition of repetitive continuing education within the same continuing education cycle;
- Clarification of the term "written examination";
- Revisions to the Trainee Appraiser classification that include a requirement to take a course oriented to the requirements and responsibilities of Trainee Appraisers and Supervisory Appraisers;
- New Supervisory Appraiser requirements;
- Revisions to Guide Note 1; and
- Additions to the illustrative list of educational topics acceptable for continuing education.

In July 2015, the AQB issued a Concept Paper exploring alternative requirements to the *Criteria*. In October 2015, the AQB held a Public Hearing with major stakeholders of the *Criteria*. In the following two years, the AQB issued a Discussion Draft and four Exposure Drafts of proposed changes to the 2015 *Criteria*. On February 1, 2018, the AQB adopted revisions to the *Criteria*. Major revisions include:

- Elimination of college-level education requirements for the Licensed Residential Real Property classification;
- Alternative college-level education requirements for the Certified Residential Real Property classification;
- An alternative track for Licensed Residential Real Property Appraisers to move to the Certified Residential Real Property Appraiser classification; and
- Modification of experience hours and experience time frames for the Licensed Residential and Certified Residential classifications, and modification of the experience time frame for the Certified General classification.

In April 2019, the AQB issued an Exposure Draft of a proposed Interpretation relating to qualification requirements for Supervisory Appraisers. The AQB issued a second Exposure Draft on this topic in September 2019. At its November 1, 2019 public meeting, the Board adopted the Interpretation in the second Exposure Draft. The Interpretation clarified that Supervisory Appraisers who have been imposed discipline for "administrative" reasons (as opposed to "practice-related" reasons) would still be eligible to supervise.

Following the 2019 adoption, the AQB continued to evaluate potential updates to the *Criteria*, including matters related to valuation bias and fair housing laws and regulations.

On September 12, 2022, the AQB convened a virtual public *Forum to Explore Education Requirements: Fair Housing Laws and Valuation Bias Education*. The forum included participation from federal agencies, state appraiser regulatory agencies, professional appraisal organizations, education providers, and civil rights and fair housing advocacy groups. The purpose of the forum was to gather input on whether, and how, education requirements in the *Criteria* should address valuation bias and fair housing laws and regulations.

Following the forum, the AQB convened a working group composed of key stakeholders to further refine potential requirements. Based on input received, the AQB issued a First Exposure Draft in January 2023 and a Second Exposure Draft in May 2023. The Board received and carefully considered written and oral comments through public meetings and webinars.

At its public meeting on June 22, 2023, the AQB adopted revisions to the *Criteria*, which became effective January 1, 2026. These revisions include adopted new requirements to both qualifying education and continuing education on valuation bias and fair housing laws and regulations for all appraiser classifications. For qualifying education, an eight-hour course on valuation bias and fair housing laws and regulations was added to the required core curriculum for all classifications. For continuing education, appraisers are required to complete a course meeting the content requirements every two calendar years, beginning with a seven-hour course (or its equivalent), followed by a minimum four-hour course in subsequent cycles.

In conjunction with these changes, the AQB adopted a course content outline to ensure consistency in the development and delivery of education related to valuation bias and fair housing laws and regulations. The Board also revised Guide Note 1 (GN-1) to incorporate this subject matter into the curriculum.

Additional revisions were adopted to improve clarity and consistency within the *Criteria*. These included updates to course naming conventions, such as renaming the *7-Hour National USPAP Update Course* to the *7-Hour National USPAP Continuing Education Course*, and modifications to the *Instructor Recertification Course* title to reflect its evolving structure. The AQB also standardized terminology related to valuation bias and fair housing education across the *Criteria*.

Following adoption of the 2026 *Criteria*, the AQB continued to address implementation and interpretive matters. On December 5, 2025, after completion of one exposure draft comment process, the AQB adopted changes and related guidance applicable to the *Criteria*, including two Interpretations intended to clarify the application of existing requirements across both the *Criteria* in effect prior to January 1, 2026 and the *Criteria* effective January 1, 2026. One Interpretation clarifies the application of *Practical Applications of Real Estate Appraisal* (PAREA®) experience credit to minimum time requirements. The other clarifies the application of Valuation Bias and Fair Housing continuing education requirements in reactivation scenarios. The AQB also retired Guide Note 4 (GN-4) to improve clarity between binding *Criteria* and non-binding guidance.

Interpretations of the Criteria and Q&As

To further clarify AQB intent to users of the *Criteria*, the AQB may issue Interpretations of the *Criteria*. Interpretations are essential to properly understanding the *Criteria* and are, therefore, binding on users of the *Criteria*. Interpretations are added to the text of this document subsequent to their adoption by the AQB. These Interpretations are listed in subject matter order, which is designed to follow the applicable *Criteria*. As a result, the dates reflecting the adoption of some Interpretations may not follow a chronological sequence.

The AQB also issues Q&As which are published periodically and available on The Appraisal Foundation website. The Q&As are a form of guidance issued by the AQB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of the *Real Property Appraiser Qualification Criteria* and Interpretations of the *Criteria* in specific situations and to offer advice from the AQB for the resolution of appraisal issues and problems. The AQB Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. AQB Q&A does not establish new *Criteria*. AQB Q&A is not part of the *Real Property Appraiser Qualification Criteria*. AQB Q&A is approved by the AQB without public exposure and comment. To review the latest AQB Q&As, please visit the Q&A webpage located on the Foundation's website at www.appraisalfoundation.org.

Supporting the Work of the AQB

The AQB strongly encourages input from appraisers, users of appraisal services, and the public through the exposure draft process, public meetings, speaking engagements, and correspondence. Detailed information on how to support the work of the AQB is available online via the Foundation's website at www.appraisalfoundation.org, or by contacting the Board's staff at the Foundation by calling (202) 347-7722, or via e-mail at AQB@appraisalfoundation.org.

Exposure Draft Process

In recognition of the public authority of the AQB, all proposed revisions to the *Criteria* must be exposed for public comment prior to adoption. The AQB considers all comments in public meetings prior to taking final action. Prior to publication of an exposure draft, all proposed revisions to the *Criteria* are reviewed by a regulatory attorney.

Public Meetings

The AQB conducts periodic public meetings. Observers are encouraged to attend and, if time permits, address the Board regarding an agenda item.

Speaking Engagements

Members of the AQB are available for speaking engagements and presentations on the current work of the Board. Invitations to speak may be submitted via the "Request a Speaker" section on The Appraisal Foundation's website (www.appraisalfoundation.org). These requests should be submitted as early as possible in order to facilitate scheduling.



Other AQB Work

In addition to its work on the *Criteria*, the AQB is involved in numerous other ongoing projects, including:

- Maintenance and periodic updating of the *National Uniform Licensing and Certification Examinations* and their accompanying Examination Content Outlines (ECO's). The ECO's are used in the development of the examinations.
- Development of and enhancements to the Program to Improve USPAP Education.
- Administration of the Course Approval Program (CAP).
- Administration of the Real Estate Degree Review Program.
- Development of **voluntary** minimum *Personal Property Appraiser Qualification Criteria*.

More information on The Appraisal Foundation and the activities of the AQB is available online at www.appraisalfoundation.org or by contacting the Board's staff at The Appraisal Foundation by phone at (202) 347-7722 or via e-mail at AQB@appraisalfoundation.org.



REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

EFFECTIVE JANUARY 1, 2026



DEFINITIONS

Real Property Appraiser Qualification Criteria (Criteria): Established by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation, these *Criteria* set forth the minimum education, experience, and examination requirements for real property appraisers.

Required Core Curriculum: A set of major appraisal subject matter headings, known as “modules,” which require a specified number of educational hours at each credential level.

For example, as part of the Required Core Curriculum, a minimum of 30 hours of coverage of the module “Basic Appraisal Principles” is required.

Subtopics: Areas of appraisal education (as identified in AQB Guide Note 1) that may be included within the modules of the *Required Core Curriculum*.

As Guide Note 1 is not a binding requirement, coverage of the subtopics is not required for educational offerings to be valid; however, individuals will be expected to demonstrate competency in the subtopics in order to pass the respective licensing or certification examinations.

Interpretations: Elaborations or clarifications of the *Criteria* issued by the AQB. Interpretations are essential to a proper understanding of the requirements set forth in the *Criteria* and are, therefore, binding upon users of the *Criteria*.

Guide Notes: Guidance or advice provided by the AQB for assistance in understanding and implementing the *Criteria*.

For example, AQB Guide Note 1 (GN-1) “AQB Guidance for Curriculum Content” provides state appraiser regulators, students, and educators with suggested subtopics and items of coverage for each module in the Required Core Curriculum. The subtopics identified in Guide Note 1 represent those areas of education in which appraisers should be able to demonstrate competency to pass the respective licensing or certification examinations.

GENERAL INTERPRETATIONS

- A. The following is an exception for implementing the *Real Property Appraiser Qualification Criteria*:
An applicant in the Reserve components of the U.S. Armed Forces, who was pursuing an appraiser license or certification prior to December 1, 2011, and who was called to active duty between December 1, 2011 and December 31, 2014, may satisfy the qualifications required under the 2008 Criteria for an additional time period after January 1, 2015. The extension of time shall be equal to the applicant’s time of active duty, plus 12 months.
- B. The following is a clarification of the existing *Real Property Appraiser Qualification Criteria*:
With respect to the prerequisites needed before an applicant takes the National Uniform Licensing and Certification Examinations as referenced in the various sections II. B., applicants must have all experience and education completely verified by the appropriate state appraiser regulatory agency prior to taking the National Exam. Applicants cannot self-verify experience.
- C. Allow participants successfully completing approved PAREA programs to receive the following timeline credit:
 - a. For participants completing an approved Licensed Residential program:
 - i. Licensed Residential classification: may satisfy up to the requirement to obtain the 1,000 hours of experience in no fewer than six (6) months.
 - ii. Certified Residential classification: may satisfy up to six (6) of the twelve (12) months required to obtain the 1,500 hours of experience.
 - iii. Certified General classification: may satisfy up to six (6) of the eighteen (18) months required to obtain the 3,000 hours of experience.
 - b. For participants completing an approved Certified Residential program:
 - i. Certified Residential classification: may satisfy up to the requirement to obtain the 1,500 hours of experience in no fewer than twelve (12) months.
 - ii. Certified General classification: may satisfy up to twelve (12) of the eighteen (18) months required to obtain the 3,000 hours of experience.
- D. Interpretation of Section III.F, Item 14
For purposes of implementing item number 14 of section III.F of the Real Property Appraiser Qualification Criteria, the requirement that credential holders in an inactive status complete all continuing education hours that would have been required if the credential had remained active is interpreted to include completion of the most recent edition of a Valuation Bias and Fair Housing (VBFH) continuing education course.

Accordingly, prior to reactivation, credential holders must complete the most recent edition of a VBFH course in the same manner as they are required to complete the most recent edition of the *7-Hour National USPAP® Continuing Education Course* (or its AQB-approved equivalent).

Completion of previous editions of a VBFH course from prior continuing education cycles is not required at the time of reactivation.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

I. Standards of Practice

Appraisers in all classifications shall perform and practice in compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

II. Existing Credential Holders

Existing credential holders (with the exception of Trainee Appraisers) in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board *Real Property Appraiser Qualification Criteria* (Criteria) if they have passed an AQB-approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential (with the exception of Trainee Appraisers) in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.

III. Generic Education Criteria

A. Class hour

1. A class hour is defined as 60 minutes, of which at least 50 minutes are instruction attended by the student.
2. The prescribed number of class hours includes time for examinations.

B. Credit for the class hour requirements may be obtained only from the following providers:

1. Colleges or universities;
2. Community or junior colleges;
3. Real estate appraisal or real estate-related organizations;
4. State or federal agencies or commissions;
5. Proprietary schools;
6. Providers approved by state certification/licensing agencies; or
7. The Appraisal Foundation or its Boards.

C. Experience may not be substituted for education.

D. Distance education is defined as any education process based on the geographical separation of student and instructor. Components of distance education include synchronous, asynchronous, and hybrid. In synchronous educational offerings, the instructor and students interact simultaneously online, similar to a phone call, video chat or live webinar, or web-based meeting. In asynchronous educational offerings, the instructor and student interaction is non-simultaneous; the students progress at their own pace and follow a structured course content and quiz/exam schedule. Hybrid courses, also known as blended courses, are learning environments that allow for both in-person and online (synchronous, or asynchronous) interaction.

Synchronous courses provide for instruction and interaction substantially the same as on-site classroom courses. Synchronous courses meet class hour requirements if they comply with requirements III.A and III.B.

An asynchronous distance education course is acceptable to meet class hour requirements if:

1. The course provides interaction. Interaction is a reciprocal environment where the student has verbal or written communication with the instructor; and
2. Content approval is obtained from the AQB, a state appraiser regulatory jurisdiction, or an accredited college, community college, or university that offers distance education programs and is approved or accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Non-academic credit college courses provided by a college shall be approved by the AQB or the state appraiser regulatory jurisdiction; and



3. Course delivery mechanism approval is obtained from one of the following sources:
 - a. The AQB; or
 - b. AQB approved organizations providing approval of course design and delivery (such as The Appraisal Foundation or other independent approved entity); or
 - c. a college or university that qualifies for content approval in paragraph 2 above that awards academic credit for the distance education course; or
 - d. a qualifying college or university for content approval with a distance education delivery program that approves the course design and delivery that incorporate interactivity.
 4. Hybrid courses meet class hour requirements if each of its sessions meet the requirement for the delivery method employed:
 - a. in-person course sessions must meet III.A. and III.B.
 - b. synchronous course sessions must meet III.A. and III.B.
 - c. asynchronous courses sessions must meet III.A., III.B., and III.D.1-3
- E. *Criteria Specific to Qualifying Education*
1. Class hours will be credited only for educational offerings with content that follows the *Required Core Curriculum* for each respective credential classification. Course content requirements may be general or specific to property types. The *Required Core Curriculum* is to be followed by major headings with the classroom hours for each. Guide Note (GN-1) contains guidance for curriculum content with subtopics listed under each major module. The subtopics listed in GN-1 are used for developing Examination Content Outlines for each applicable credential classification, and may also be amended from time to time to reflect changes in technology or in the Body of Knowledge. GN-1 is not mandatory for meeting the *Required Core Curriculum*.
 2. Credit toward qualifying education requirements may also be obtained via the completion of a degree in Real Estate from an accredited degree-granting college or university approved by the Association to Advance Collegiate Schools of Business, or a regional or national accreditation agency recognized by the US Secretary of Education, **provided that the college or university has had its curriculum reviewed and approved by the AQB.**

The AQB may maintain a list of approved college or university degree programs, including the *Required Core Curriculum* and Appraisal Subject Matter Elective hours satisfied by the award of the degree. Candidates for the Trainee Appraiser, Licensed Residential, Certified Residential, or Certified General credential who are awarded degrees from approved institutions are required to complete all additional education required for the credential in which the approved degree is judged to be deficient by the AQB.
 3. Class hours may be obtained only where:
 - a. the minimum length of the educational offering is at least 15 hours (except for the eight (8) hour course on valuation bias and fair housing laws and regulations); and
 - b. the individual successfully completes a proctored, closed-book final examination pertinent to that educational offering.
 4. Where the qualifying education course includes multiple modules as listed in the *Required Core Curriculum*, there must be appropriate testing of each module included in the course.
 5. Courses taken to satisfy the qualifying education requirements must not be repetitive. Courses shall foster problem-solving skills in the education process by utilizing case studies as a major teaching method when applicable.
 6. Applicants must take the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and pass the associated *15-Hour National USPAP Course* examination. At least one of the course instructors must be an AQB Certified USPAP Instructor who is also a state certified appraiser in good standing. Course equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB. USPAP education presented in a distance education format must be designed to foster appropriate student-to-student, student-to-instructor, and student-to-material interaction.
 7. In addition to the generic requirements described in III.D., distance education courses intended for use as qualifying education must include a written, closed-book final examination. The examination must be proctored in person or remotely by an official approved by the college or university, or by the sponsoring

organization. Bio-metric proctoring is acceptable.¹ The term, “written,” as used herein, refers to an exam that might be written on paper or administered electronically on a computer workstation or other device. Oral exams are not acceptable. The testing must comply with the examination requirements of this section.

F. *Criteria Specific to Continuing Education*

1. The purpose of continuing education is to ensure that appraisers participate in a program that maintains and increases their skill, knowledge, and competency in real property appraising.

Aside from complying with the requirements to complete the *7-Hour National USPAP Continuing Education Course*, or its equivalent, appraisers may not receive credit for completion of the same continuing education course offering within the same continuing education cycle.

2. Credit towards the continuing education hour requirements for each appraiser classification may be granted only where the length of the educational offering is at least two (2) hours.
3. Credit may be granted for education offerings that are consistent with the purpose of continuing education and cover real property related appraisal topics, including, but not limited to:
 - a. Ad valorem taxation;
 - b. Arbitration, dispute resolution;
 - c. Courses related to the practice of real estate appraisal or consulting;
 - d. Development cost estimating;
 - e. Ethics and standards of professional practice, USPAP;
 - f. Valuation bias and fair housing laws and regulations;
 - g. Land use planning, zoning;
 - h. Management, leasing, timesharing;
 - i. Property development, partial interests;
 - j. Real estate law, easements, and legal interests;
 - k. Real estate litigation, damages, condemnation;
 - l. Real estate financing and investment;
 - m. Real estate appraisal-related computer applications;
 - n. Real estate securities and syndication;
 - o. Developing opinions of real property value in appraisals that also include personal property and/or business value;
 - p. Seller concessions and impact on value; and/or
 - q. Energy-efficient items and “green building” appraisals.
4. Up to one half of an individual’s continuing education requirement may also be granted for participation, other than as a student, in appraisal educational processes and programs. Examples of activities for which credit may be granted are teaching, program development, authorship of textbooks, or similar activities that are determined to be equivalent to obtaining continuing education. Credit for instructing any given course or seminar can only be awarded once during a continuing education cycle.
5. Educational offerings taken by an individual in order to fulfill the class hour requirement for a different classification than his/her current classification may be simultaneously counted towards the continuing education requirement of his/her current classification.
6. In addition to the generic requirements described in III.D., asynchronous distance education courses intended for use as continuing education must include at least one of the following:
 - a. A written examination proctored by an official approved by the college or university, or by the sponsoring organization. Remote proctoring, including bio-metric procedures as noted in III E. 7. above, is acceptable. The term “written” as used herein refers to an exam that might be written on paper, or administered electronically on a computer workstation or other device. Oral exams are not acceptable; or
 - b. Successful completion of prescribed course mechanisms required to demonstrate knowledge of the subject matter.

¹ Bio-metric proctoring process provides that student identity is continually verified through processes, such as facial recognition, consistency in keystroke cadence, and the observation of activity in the testing location. Aberrant behavior or activity can be readily observed.



7. Real estate appraisal-related field trips may be acceptable for credit toward the continuing education requirements. However, transit time to or from the field trip may not be included when awarding credit unless instruction occurs during said transit time.
8. Appraisers must successfully complete the *7-Hour National USPAP Continuing Education Course*, or its AQB-approved equivalent, every two calendar years. Equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB.
9. Individuals who are credentialed in more than one jurisdiction shall not have to take more than one *7-Hour National USPAP Continuing Education Course* within a two calendar year period for the purposes of meeting AQB Criteria.
10. USPAP continuing education credit shall only be awarded when the course is instructed by at least one AQB Certified USPAP Instructor who is also a state certified appraiser in good standing.
11. Appraisers must successfully complete a course which meets the content requirements of the Valuation Bias and Fair Housing Laws and Regulations Outline, every two calendar years.
 - a. The first time an appraiser completes the continuing education requirement for this course, the course length must be seven (7) hours. If an appraiser successfully completed a seven (7) hour (plus 1 hour exam) course as part of their qualifying education, they have met this requirement.
 - b. Every two calendar years thereafter, the course length must be at least four (4) hours.
12. The equivalent of fourteen (14) class hours of instruction in courses or seminars for each year during the period preceding the renewal is required. For example, a two-year continuing education cycle would require twenty-eight hours. The class hour requirement can be fulfilled at any time during the cycle.
13. AQB Certified USPAP Instructors successfully completing an *Instructor Recertification Course* and exam (if an exam is required) within their current continuing education cycle have satisfied the *7-Hour National USPAP Continuing Education Course* continuing education requirement.
14. A state appraiser regulatory agency with the appropriate authority to do so may place a credential holder in an "inactive status" if the state determines a deficiency in continuing education was due to extenuating circumstances.

Prior to reactivation, credential holders in an inactive status must complete all required continuing education hours that would have been required if the credential holder was in an active status. The required hours must also include the most recent edition of a *7-Hour National USPAP Continuing Education Course* (or its AQB-approved equivalent).

Waivers may not be granted to credential holders who have failed to meet the continuing education requirements.

Deferrals may not be granted to credential holders, except in the case of individuals returning from active military duty, or individuals impacted by a state- or federally-declared disaster. State appraiser regulatory agencies may allow credential holders returning from active military duty to be placed in active status for a period of up to 90 days pending completion of all continuing education requirements. State appraiser regulatory agencies may allow credential holders impacted by a state- or federally-declared disaster that occurs within 90 days prior to the end of the continuing education cycle to remain (or be placed in) active status for a period of up to 90 days after the end of the credential holder's continuing education cycle, pending completion of all continuing education requirements.

15. Credentialed appraisers are required to complete continuing education for a partial year in a continuing education cycle as follows:

For continuing education cycle periods of 185 days or more, 14 hours of continuing education is required.

For continuing education cycle periods of less than 185 days, no hours of continuing education are required.

Example #1: A credential issued on August 15 that expires on December 31 of the same year would not require any continuing education hours for that year.

Example #2: A credential issued on May 15 that expires on December 31 of the same year would require 14 continuing education hours for that year.

Example #3: A credential issued on August 15 that expires on December 31 of the following year would require 14 hours of continuing education to renew.

16. State appraiser regulatory agencies may award continuing education credit to credentialed appraisers who attend a state appraiser regulatory agency meeting, under the following conditions:
 - a. Credit may be awarded for a single state appraiser regulatory agency meeting per continuing education cycle. The meeting must be open to the public and must be a minimum of two (2) hours in length. The total credit cannot exceed seven (7) hours; and
 - b. The state appraiser regulatory agency must ensure that the credentialed appraiser attends the meeting for the required period of time.

IV. Generic Examination Criteria

A new applicant not currently licensed or certified and in good standing in another jurisdiction shall have up to 24 months, after approval by the state, to take and pass an AQB-approved qualifying examination for the credential. Successful completion of the examination is valid for a period of 24 months.

V. Generic Experience Criteria

- A. Education may not be substituted for experience, except as shown in Section E below.
- B. The quantitative experience requirements must be satisfied by time spent in the appraisal process. The appraisal process consists of: analyzing factors that affect value; defining the problem; gathering and analyzing data; applying the appropriate analysis and methodology; and arriving at an opinion and correctly reporting the opinion in compliance with USPAP.
- C. Hours may be treated as cumulative in order to achieve the necessary number of hours of appraisal experience.
 1. Cumulative is defined as experience that may be acquired over multiple time periods.
 2. The following is an example of cumulative experience:

Year 1	200 Hours
Year 2	800 Hours
Year 3	600 Hours
Year 4	400 Hours
Year 5	500 Hours
Total	2,500 Hours

- D. There need not be a client in a traditional sense (e.g., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.
- E. Practicum courses that are approved by the AQB Course Approval Program or state appraiser regulatory agencies can satisfy the non-traditional client experience requirement. A practicum course must include the generally applicable methods of appraisal practice for the credential category. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with USPAP. Assignments must require problem solving skills for a variety of property types for the credential category.

Experience credit shall be granted for the actual classroom hours of instruction and hours of documented research and analysis as awarded from the practicum course approval process.



- F. An hour of experience is defined as verifiable time spent in performing tasks in accordance with acceptable appraisal practice. Acceptable real property appraisal practice for experience credit includes appraisal, appraisal review, appraisal consulting, and mass appraisal.

All experience must be obtained after January 30, 1989, and must be USPAP-compliant. An applicant's experience must be in appraisal work conforming to Standards 1, 2, 3, 4, 5, and/or 6, where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), and reporting conclusions.

- G. Documentation in the form of reports, certifications, or file memoranda, or, if such reports and memoranda are unavailable for good cause, other evidence at the credentialing authority's discretion that the work is compliant with USPAP must be provided as part of the state experience verification process to support the experience claimed.
- H. The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:
 - 1. Type of property;
 - 2. Date of report;
 - 3. Address of appraised property;
 - 4. Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;
 - 5. Number of actual work hours by the trainee/applicant on the assignment; and
 - 6. The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.
- I. There is no maximum time limit during which experience may be obtained.

VI. Practical Applications of Real Estate Appraisal (PAREA)

Practical Applications of Real Estate Appraisal (PAREA) programs approved by the AQB utilize simulated experience training, and serve as an alternative to the traditional Supervisor/Trainee experience model, under Section V. To qualify as creditable experience, AQB-approved PAREA programs shall:

- 1. Contain, at a minimum, the content specified in the Practical Applications of Real Estate Appraisal section of this Criteria;
- 2. Require participants to possess the following prerequisites prior to commencement of training:
 - a. For the Licensed Residential Module: 158 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Residential Real Property Appraiser classification.
 - b. For the Certified Residential Module: 200 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification; and
 - i. Possession of a valid Licensed Residential Real Property Appraiser credential; or
 - ii. Successful completion of an AQB-approved PAREA program for the Licensed Residential Real Property Appraiser classification;
- 3. Provide an adequate number of Mentors to ensure timely and competent mentoring for all program participants;
- 4. Ensure Mentors meet or exceed the following qualifications:
 - a. Mentors shall be state-certified appraisers and in "good standing" for a period of at least three (3) years prior to being eligible to become a Mentor; and
 - b. Mentors shall not have been subject to any disciplinary action, within any jurisdiction, within the last three (3) years that affected the Mentor's legal eligibility to engage in appraisal practice, or to act as a Supervisory Appraiser. A Mentor subject to a disciplinary action would be considered to be in "good standing" three (3) years after the successful completion/termination of the imposed sanction; and
- 5. Ensure program participants produce appraisal reports that comply with USPAP, and meet or exceed the following requirements:
 - a. Licensed Residential
 - i. No fewer than three (3) appraisal reports;

- ii. Reports must represent a variety of assignment types and property types that are consistent with the Licensed Residential program content; and
 - iii. Reports must comply with the edition of USPAP that is in effect at the time.
 - b. Certified Residential
 - i. No fewer than three (3) appraisal reports;
 - ii. Reports must represent a variety of assignment types and property types that are consistent with the Certified Residential program content; and
 - iii. Reports must comply with the edition of USPAP that is in effect at the time; and
- 6. Provide each program participant that successfully completes PAREA training with a certificate of completion, subject to the following:
 - a. Participants may not receive partial credit for PAREA training;
 - b. Participants may not receive a certificate of completion until all required components of PAREA training have been successfully completed and approved by a program Mentor;
 - c. Certificates of completion must be signed by an individual from the training entity qualified to verify a participant's successful completion; and
 - d. Certificates of completion must not contain an expiration date or other constraints that either limit or restrict the participant's ability to receive appropriate credit; and
- 7. Allow participants successfully completing approved PAREA programs to receive the following experience credit:
 - a. For participants completing an approved Licensed Residential program:
 - i. Licensed Residential classification: up to 100 percent of the required experience hours.
 - ii. Certified Residential classification: up to 67 percent of the required experience hours.
 - iii. Certified General classification: up to 33 percent of the total required experience, none of which is eligible towards the required non-residential hours.
 - b. For participants completing an approved Certified Residential program:
 - i. Licensed Residential classification: up to 100 percent of the required experience hours.
 - ii. Certified Residential classification: up to 100 percent of the required experience hours.
 - iii. Certified General classification: up to 50 percent of the total required experience, none of which is eligible towards the required non-residential hours.

VII. Background Checks

- A. All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.
- B. Applicants shall provide state appraiser regulatory agencies with all of the information and documentation necessary for the jurisdiction to determine the applicant's fitness for licensure or certification.
- C. An applicant shall not be eligible for a real property appraiser credential if, during at least the five (5) year period immediately preceding the date of the application for licensing or certification, the applicant has been convicted of, or pled guilty or nolo contendere to a crime that would call into question the applicant's fitness for licensure.
- D. Additional guidance related to background checks for applicants for a real property appraiser credential may be found in Guide Note 9 (GN-9).

VIII. Interpretations and Guide Notes (GN)

Periodically, the AQB may issue Interpretations to the *Criteria* (binding) or Guide Notes (advisory) on interpretations or application of the *Criteria*.



This page is intentionally left blank.

SUPERVISORY APPRAISER REQUIREMENTS

APPLICABLE TO SUPERVISION OF **TRAINEE APPRAISERS ONLY**

Supervisory Appraisers provide a critical role in the mentoring, training, and development of future valuation professionals. It is inherently important to strike a proper balance between enhancing public trust by ensuring Supervisory Appraisers are competent and qualified to supervise Trainee Appraisers without making the criteria too stringent and restrictive as to discourage or prevent qualified Supervisory Appraisers from actually participating in the training and supervision of Trainee Appraisers.

I. **General**

- A. Supervisory Appraisers shall be responsible for the training, guidance, and direct supervision of the Trainee Appraiser by:
 1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
 3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the **COMPETENCY RULE** of USPAP for the property type.
- B. Supervisory Appraisers shall be state-certified and in “good standing” for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing ***In the Jurisdiction*** in which the Trainee Appraiser practices ***for any specific minimum period of time***. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser’s legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in “good standing” three (3) years ***after*** the successful completion/termination of the sanction imposed against the appraiser.

Supervisory Appraiser Requirements Interpretation

With respect to disciplinary sanctions that affect an individual’s legal eligibility to practice as referenced in Section 1.B. above, sanctions imposed as a result of administrative actions not related to an individual’s obligations of ethical and competent appraisal practice do not apply. Examples may involve isolated administrative responsibilities including late payment of fees, failure to timely renew a credential, or failure to notify a regulatory office of a change in contact information. The intent of the language stated in Section 1.B. above, was to prevent Supervisory Appraisers from training due to egregious appraisal practice issues that involved ethics and competency. Administrative infractions do not preclude an individual from acting as a Supervisory Appraiser for three years after the sanction.

- C. Supervisory Appraisers must comply with the **COMPETENCY RULE** of USPAP for the property type and geographic location where the Trainee Appraiser is being supervised.
- D. Whereas a Trainee Appraiser is permitted to have more than one Supervisory Appraiser, Supervisory Appraisers may not supervise more than three (3) Trainee Appraisers at one time, unless a state program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.



- E. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and Trainee Appraiser to ensure the experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
1. Type of property;
 2. Date of report;
 3. Address of appraised property;
 4. Description of work performed by the Trainee Appraiser and the scope of the review and supervision of the Supervisory Appraiser;
 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
 6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- F. Supervisory Appraisers shall be required to complete a course that, at a minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course is to be completed by the Supervisory Appraiser prior to supervising a Trainee Appraiser. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.

REAL PROPERTY APPRAISER CLASSIFICATIONS

TRAINEE REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

I. General

- A. The Trainee Appraiser classification is intended to incorporate any documented non-certified/non-licensed real property appraisers who are subject to the *Real Property Appraiser Qualification Criteria*. Recognizing that individual credentialing jurisdictions may use different terminologies, “Trainee Appraisers” include, but are not limited to: registered appraisers, apprentice appraisers, provisional appraisers, or other similar designations created by state appraiser regulatory agencies.
- B. The scope of practice for the Trainee Appraiser classification is the appraisal of those properties which the state-certified Supervisory Appraiser is permitted by his/her current credential and that the Supervisory Appraiser is competent to appraise.
- C. The Trainee Appraiser, as well as the Supervisory Appraiser, shall be entitled to obtain copies of appraisal reports and/or permitted appropriate access and retrieval arrangements for all workfiles for appraisals in which he or she participated, in accordance with the RECORD KEEPING RULE of USPAP.
- D. All Trainee Appraisers must comply with the COMPETENCY RULE of USPAP for all assignments.

II. Examination

There is no examination requirement for the Trainee Appraiser classification, but the Trainee Appraiser shall pass the appropriate end-of-course examinations in all of the prerequisite qualifying education courses in order to earn credit for those courses.

III. Qualifying Education

- A. As the prerequisite for application, an applicant must have completed eighty-three (83) hours of qualifying education as specified in the *Required Core Curriculum*. Additionally, applicants must pass the course examinations and pass the *15-Hour National USPAP Course* (or its AQB-approved equivalent) and examination as part of the eighty-three (83) hours. All qualifying education must be completed within the five (5) year period immediately preceding the date of application for a Trainee Appraiser credential.
- B. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.



- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.

IV. Experience

No experience is required as a prerequisite for the Trainee Appraiser classification.

V. Training

- A. The Trainee Appraiser shall be subject to direct control and supervision by a Supervisory Appraiser in good standing, who shall be state certified. A Trainee Appraiser is permitted to have more than one Supervisory Appraiser.
- B. The Supervisory Appraiser shall be responsible for the training, guidance, and direct control and supervision of the Trainee Appraiser by:
 - 1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
 - 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
 - 3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- C. The Trainee Appraiser is permitted to have more than one Supervisory Appraiser, but a Supervisory Appraiser may not supervise more than three (3) Trainee Appraisers, at one time, unless a program in the state appraiser regulatory jurisdiction provides for progress monitoring, supervising certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.
- D. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and the Trainee Appraiser to ensure the appraisal experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
 - 1. Type of property;
 - 2. Date of report;
 - 3. Address of appraised property;
 - 4. Description of work performed by the Trainee Appraiser and scope of the review and supervision of the Supervisory Appraiser;
 - 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
 - 6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- E. Supervisory Appraisers shall be state certified and in good standing for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing ***in the jurisdiction*** in which the Trainee Appraiser practices ***for any specific minimum period of time***. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser's legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in "good standing" three (3) years after the successful completion/termination of the sanction imposed against the appraiser.
- F. Trainee Appraisers shall be required to complete a course that, at minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course must be completed by the Trainee Appraiser prior to obtaining a Trainee Appraiser credential from the individual credentialing jurisdiction. Further, the Trainee Appraiser course is not eligible towards the eighty-three (83) hours of qualifying education required. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in the *Criteria* for more information.

LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

I. General

- A. The Licensed Residential Real Property Appraiser classification applies to the appraisal of non-complex one-to-four residential units having a transaction value less than \$1,000,000, and complex one-to-four residential units having a transaction value less than \$400,000.
- B. Complex one-to-four unit residential property appraisal means one in which the property to be appraised, the form of ownership, or the market conditions are atypical.
- C. For non-federally related transaction appraisals, transaction value shall mean market value.
 - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units, or for which the highest and best use is for one-to-four residential units.
 - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- D. All Licensed Residential Real Property Appraisers must comply with the COMPETENCY RULE of USPAP.

II. Examination

- A. The AQB-approved Licensed Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Licensed Residential examination is the successful completion of the Certified Residential or Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
 - 1. One hundred fifty-eight (158) creditable class hours as specified in the *Required Core Curriculum*; and
 - 2. One thousand (1,000) hours of qualifying experience in no fewer than six (6) months.

III. Qualifying Education

- A. The Licensed Residential Real Property Appraiser classification requires completion of one hundred fifty-eight (158) creditable class hours as specified in the *Required Core Curriculum*. As part of the one hundred fifty-eight (158) required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and successfully pass the examination. There is no alternative to successful completion of the USPAP Course and examination.
- B. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential by successfully completing the following additional educational hours:

1. Residential Market Analysis and Highest and Best Use	15 Hours
2. Residential Appraiser Site Valuation and Cost Approach	15 Hours
3. Residential Sales Comparison and Income Approaches	30 Hours
4. Residential Report Writing and Case Studies	15 Hours
TOTAL	75 Hours
- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.

IV. Experience:

One thousand (1,000) hours of experience are required to be obtained in no fewer than six (6) months.



CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

I. General

- A. The Certified Residential Real Property Appraiser classification qualifies the appraiser to appraise one-to-four residential units without regard to value or complexity.
 - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units purposes or for which the highest and best use is for one-to-four residential units.
 - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- B. All Certified Residential appraisers must comply with the COMPETENCY RULE of USPAP.

II. Examination

- A. The AQB-approved Certified Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Certified Residential examination is the successful completion of the Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
 - 1. Two hundred (200) creditable class hours as specified in the *Required Core Curriculum*;
 - 2. Completion of the requirements specified in Section III.B. or III.C., "Qualifying Education"; and
 - 3. One thousand five hundred (1,500) hours of qualifying experience obtained in no fewer than twelve (12) months.

III. Qualifying Education

- A. All college-level education must be obtained from a degree-granting institution by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education.

Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:

- An accredited, degree-granting domestic college or university;
- A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
- A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.

- B. Applicants for the Certified Residential credential must satisfy at least one of the following five options (III.B.1., III.B.2., III.B.3., III.B.4., or III.B.5.):
 - 1. Possession of a Bachelor's Degree in any field of study;
 - 2. Possession of an Associate's Degree in a field of study related to:
 - a. Business Administration;
 - b. Accounting;
 - c. Finance;
 - d. Economics; or
 - e. Real Estate

3. Successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:
 - a. English Composition (3 semester hours);
 - b. Microeconomics (3 semester hours);
 - c. Macroeconomics (3 semester hours);
 - d. Finance (3 semester hours);
 - e. Algebra, Geometry, or higher mathematics (3 semester hours);
 - f. Statistics (3 semester hours);
 - g. Computer Science (3 semester hours);
 - h. Business or Real Estate Law (3 semester hours); and
 - i. Two elective courses in any of the topics listed above or in accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).
 4. Successful completion of at least 30 semester hours of College Level Examination Program® (CLEP®) examinations from each of the following subject matter areas:
 - a. College Algebra (3 semester hours);
 - b. College Composition (6 semester hours);
 - c. College Composition Modular (3 semester hours);
 - d. College Mathematics (6 semester hours);
 - e. Principles of Macroeconomics (3 semester hours);
 - f. Principles of Microeconomics (3 semester hours);
 - g. Introductory Business Law (3 semester hours); and
 - h. Information Systems (3 semester hours).
 5. Any combination of III.B.3 and III.B.4 above that ensures coverage of all topics and hours identified in III.B.3.
- C. As an alternative to the requirements in Section III.B. above, individuals who have held a Licensed Residential credential for a minimum of five (5) years may qualify for a Certified Residential credential by satisfying all of the following:
1. No record of any adverse, final, and non-appealable disciplinary action affecting the Licensed Residential appraiser's legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential;
 2. Successful completion of the additional required qualifying education as specified in Section III.F. below;
 3. Successful completion of the required experience as specified in Section IV below; and
 4. Successful completion of the Certified Residential Real Property Appraiser examination as specified in Section II above.
- D. The Certified Residential Real Property Appraiser classification requires completion of two hundred (200) creditable class hours as specified in the *Required Core Curriculum*. As part of the 200 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- E. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- | | |
|---|------------------|
| 1. Residential Market Analysis and Highest and Best Use | 15 Hours |
| 2. Residential Appraiser Site Valuation and Cost Approach | 15 Hours |
| 3. Residential Sales Comparison and Income Approaches | 30 Hours |
| 4. Residential Report Writing and Case Studies | 15 Hours |
| 5. Statistics, Modeling and Finance | 15 Hours |
| 6. Advanced Residential Applications and Case Studies | 15 Hours |
| 7. Appraisal Subject Matter Electives | 12 Hours |
| TOTAL | 117 Hours |
- F. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- | | |
|---|-----------------|
| 1. Statistics, Modeling and Finance | 15 Hours |
| 2. Advanced Residential Applications and Case Studies | 15 Hours |
| 3. Appraisal Subject Matter Electives | 12 Hours |
| TOTAL | 42 Hours |



- G. Appraisers holding a valid **Trainee Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification must also satisfy the college-level education requirement as specified in III.B.
- H. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who do not meet the requirements outlined in Section III.C. must also satisfy the college-level education requirements as specified in Section III.B.
- I. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who meet the requirements outlined in Section III.C. do not need to satisfy college-level education requirements as specified in Section III.B.
- J. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Certified Residential Real Property Appraiser credential.

IV. Experience:

One thousand five hundred (1,500) hours of experience are required to be obtained during no fewer than twelve (12) months. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.

CERTIFIED GENERAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

I. General

- A. The Certified General Real Property Appraiser classification qualifies the appraiser to appraise all types of real property.
- B. All Certified General appraisers must comply with the COMPETENCY RULE of USPAP.

II. Examination

- A. The AQB-approved Certified General Real Property Appraiser examination must be successfully completed. There is no alternative to successful completion of the exam.
- B. The prerequisites for taking the AQB-approved examination are completion of:
 1. Three hundred (300) creditable class hours as specified in the *Required Core Curriculum*; and
 2. Completion of the college-level education requirements specified in III.A. "Qualifying Education"; and
 3. Three thousand (3,000) hours of qualifying experience obtained in no fewer than eighteen (18) months, where a minimum of one thousand five hundred (1,500) hours must be obtained in non-residential appraisal work.

III. Qualifying Education

- A. Applicants for the Certified General credential must hold a Bachelor's degree or higher from an accredited college or university. The college or university must be a degree-granting institution accredited by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:
 - An accredited, degree-granting domestic college or university;
 - A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
 - A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- B. The Certified General Real Property Appraiser classification requires completion of three hundred (300) creditable class hours as specified in the *Required Core Curriculum*. As part of the 300 required hours, the applicant shall complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- C. Applicants must demonstrate that their education includes the core courses listed in these *Criteria*, with particular emphasis on non-residential properties. Residential is defined as "composed of one-to-four residential units."



- D. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	30 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	30 Hours
4. General Appraiser Site Valuation and Cost Approach	30 Hours
5. General Appraiser Income Approach	60 Hours
6. General Appraiser Report Writing and Case Studies	30 Hours
7. Appraisal Subject Matter Electives	22 Hours
TOTAL	217 Hours

- E. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	15 Hours
4. General Appraiser Site Valuation and Cost Approach	15 Hours
5. General Appraiser Income Approach	45 Hours
6. General Appraiser Report Writing and Case Studies	15 Hours
7. Appraisal Subject Matter Electives	22 Hours
TOTAL	142 Hours

- F. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. General Appraiser Sales Comparison Approach	15 Hours
3. General Appraiser Site Valuation and Cost Approach	15 Hours
4. General Appraiser Income Approach	45 Hours
5. General Appraiser Report Writing and Case Studies	10 Hours
TOTAL	100 Hours

- G. **Trainee Appraisers, Licensed Residential Real Property Appraisers, and Certified Residential Real Property Appraisers** wishing to change to the Certified General Real Property Appraiser classification must also satisfy the requirements in III.A. and III.C.

IV. Experience

Three thousand (3,000) hours of experience are required to be obtained during no fewer than eighteen (18) months. One thousand five hundred (1,500) hours must be in non-residential appraisal work. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.

REQUIRED CORE CURRICULUM

TRAINEE APPRAISER

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS	8 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
TOTAL	83 HOURS

LICENSED RESIDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS	8 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
TOTAL	158 HOURS

CERTIFIED RESIDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS	8 HOUR
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES	15 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	12 HOURS
TOTAL	200 HOURS



CERTIFIED GENERAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS	8 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	30 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
GENERAL APPRAISER SITE VALUATION AND COST APPROACH	30 HOURS
GENERAL APPRAISER SALES COMPARISON APPROACH	30 HOURS
GENERAL APPRAISER INCOME APPROACH	60 HOURS
GENERAL APPRAISER REPORT WRITING AND CASE STUDIES	30 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	22 HOURS
TOTAL	300 HOURS

SUPERVISORY APPRAISER / TRAINEE APPRAISER COURSE OBJECTIVES AND OUTLINE

COURSE OBJECTIVES

In developing the course, providers must include the following course objectives, which address both the Supervisory Appraiser and Trainee Appraiser.

Supervisory Appraiser Objectives

The course must provide adequate information to ensure the Supervisory Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser;
- Jurisdictional credentialing requirements for both Supervisory Appraisers and Trainee Appraisers that may exceed those of the *Criteria*;
- Expectations and responsibilities of being a Supervisory Appraiser;
- Responsibilities and requirements of a Supervisory Appraiser in maintaining and signing all appropriate Trainee Appraiser experience logs; and
- Expectations and responsibilities of the Trainee Appraiser.

Trainee Appraiser Objectives

The course must provide adequate information to ensure the Trainee Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming a credentialed appraiser;
- Jurisdictional credentialing requirements for Trainee Appraisers that may exceed those of the *Criteria*;
- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser, as well as jurisdictional credentialing requirements that may exceed those of the *Criteria*;
- Processes and roles of the entities involved in establishing qualifications for credentialed appraisers;
- Expectations and responsibilities of the Trainee Appraiser;
- Basics of the *Uniform Standards of Professional Appraisal Practice* (USPAP); and
- Responsibilities and requirements of a Trainee Appraiser's role in maintaining and signing all appropriate Trainee Appraiser experience logs.

COURSE CONTENT OUTLINE

Education developers must include the topics contained in the following outline when creating course content:

I. Table of Contents

II. Course Introduction and Overview

III. Qualification and Credentialing Entities

A. The Appraisal Foundation

1. Overview of the creation and role of The Appraisal Foundation

B. The Appraiser Qualifications Board (AQB)

1. Overview of the role of the AQB in establishing qualifications for real property appraisers



- C. Individual State or Territory Credentialing Authorities
 - 1. Overview of a jurisdiction's role in issuing appraiser credentials and disciplining appraisers
 - 2. Specific information regarding the regulatory structure of the individual jurisdiction (optional)
- D. Professional Appraiser Organizations
 - 1. Overview of the role of professional appraiser organizations
 - 2. Explain difference between required regulatory state appraiser credentials and "voluntary" professional appraiser organization designations

IV. Qualifications for Appraiser Credentials

- A. AQB Qualifications
 - 1. Overview of the AQB minimum qualifications for real property appraisers, including the education, experience, and examination requirements for the following categories:
 - a. Trainee Appraiser
 - b. Licensed Residential
 - c. Certified Residential
 - d. Certified General
- Comment: Course developers shall include a summary matrix outlining the minimum education, experience, and examination requirements necessary for each of the credentials.
- 2. Overview of Supervisory Appraiser Qualifications
 - a. AQB minimum qualifications
 - b. Discussion noting individual credentialing jurisdictions could have qualifications that may exceed AQB minimum qualifications
- B. Individual Jurisdiction Qualifications
 - 1. Overview explaining how AQB sets minimum qualifications, but states may have qualifications that exceed *AQB Criteria*
 - 2. Outline and explain the specific steps/requirements to becoming licensed or certified in the particular jurisdiction in which the course is being provided

V. Overview of USPAP

- A. Provide brief overview of sections of USPAP relevant to Trainee Appraisers including overviews of:
 - 1. ETHICS RULE
 - 2. COMPETENCY RULE
 - 3. SCOPE OF WORK RULE
 - 4. RECORD KEEPING RULE
 - 5. STANDARD 1 (Development) and STANDARD 2 (Reporting)

Comment: This section is not intended to be a substitute for the *15-Hour National USPAP Course* (or its equivalent).

VI. Overview of Supervisory Appraiser Expectations and Responsibilities

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Supervisory Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Supervisory Appraiser to:
 - 1. Provide the Trainee Appraiser with a basic understanding of USPAP requirements
 - 2. Understand the AQB minimum requirements of both the Supervisory Appraiser and Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
 - 3. Provide proper guidance to the Trainee Appraiser when he or she selects a specific credentialing path (i.e., Licensed Residential, Certified Residential, or Certified General)
 - 4. Monitor the Trainee Appraiser's progress in satisfying both the education and experience requirements necessary to achieve his or her selected credentialing path
 - 5. Verify that the Supervisory Appraiser and Trainee Appraiser are properly documenting all appropriate experience logs

6. Accompany the Trainee Appraiser on all inspections until the Trainee Appraiser is competent to conduct inspections independently and has met all specific requirements pertaining to property inspection established by the credentialing jurisdiction
7. Monitor and provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
8. Verify that the Trainee Appraiser is properly identified and acknowledged in the appraisal report in compliance with USPAP requirements
9. Immediately notify the Trainee Appraiser if the Supervisory Appraiser is no longer qualified to supervise and/or sign the Trainee Appraiser's experience log

VII. Overview of Trainee Appraiser Expectations and Responsibilities

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Trainee Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Trainee Appraiser to understand:
 1. The AQB minimum requirements to become a Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
 2. The importance of selecting an appropriate Supervisory Appraiser. Points covered shall include:
 - a. The Supervisory Appraiser-Trainee Appraiser relationship is a long-term commitment by both parties
 - b. The Trainee Appraiser is inherently connected to the "good standing" of the Supervisory Appraiser
 - c. The importance of selecting a Supervisory Appraiser with the experience and competency that best matches the Trainee Appraiser's selected credentialing path
 - d. Options for the Trainee Appraiser if a Supervisory Appraiser is no longer qualified to serve as a Supervisory Appraiser
 3. How to determine if an appraiser is qualified and in good standing to be a Supervisory Appraiser by searching the Appraisal Subcommittee (ASC) National Registry and/or jurisdictional websites
 4. It is the Supervisory Appraiser's responsibility to monitor the progression of the Trainee Appraiser's education and experience necessary to achieve the Trainee Appraiser's selected credentialing path
 5. It is the Supervisory Appraiser's responsibility to provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
 6. The responsibilities of both the Trainee Appraiser and the Supervisory Appraiser in properly documenting all appropriate Trainee Appraiser's experience logs
 7. The Supervisory Appraiser must accompany the Trainee Appraiser on all inspections until he or she is competent to conduct inspections independently, and has met all requirements pertaining to property inspection established by the credentialing jurisdiction

VIII. Overview of Jurisdictional Requirements for Supervisory Appraiser and Trainee Appraiser Requirements

- A. Provide summary of jurisdictional requirements that may exceed those of the AQB *Criteria*
- B. Course developers may elect to present jurisdictional requirements as a separate add-on module, or incorporate differences between AQB minimum and jurisdictional requirements in each appropriate section of the outline

IX. Summary/Quiz (optional)

X. Definitions

- A. Provide glossary of definitions utilized throughout the course



This page is intentionally left blank.

VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS COURSE OUTLINE

The course must contain information to ensure the appraiser understands valuation bias and fair housing laws and regulations related issues. The same outline is required for the seven (7) hour course, the eight (8) hour course (which is the seven-hour course plus a one-hour exam) and the four (4) hour course.

However, the four-hour course will have less content on the topics of “Understanding Real Estate Bias” and “Federal Fair Housing Laws and Regulations” and more content on “Valuation Bias” and “Case Studies.”

Education developers must include the topics contained in the following outline when creating course content:

A. Understanding Real Estate Bias

1. Historical Context
 - a. Role of the following: real estate agents, insurance, appraisers, lenders, Government Sponsored Enterprises, federal, state and local agencies, and legislation
 - b. Redlining
 - c. Restrictive Covenants
 - d. Court Rulings
2. Contemporary Context
 - a. Economic Impact of Property Value Disparities for Protected Classes
 - b. Public Conversation Regarding Valuation Bias
 - c. Recent Cases and Developments

B. Federal Fair Housing and Antidiscrimination Laws and Regulations

1. Laws and Regulations
 - a. Civil Rights Act of 1866 (Section 1981 and Section 1982)
 - b. Fair Housing Act
 - c. Equal Credit Opportunity Act (ECOA)
 - d. Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)
 - e. Unfair and Deceptive Acts and Practices (UDAP)
 - f. Unfair, Deceptive or Abusive Acts and Practices (UDAAP)
2. Key Legal Concepts
 - a. Disparate Treatment
 - b. Disparate Impact

C. Valuation Bias

1. Components of Valuation Bias
 - a. Explicit
 - b. Implicit
 - c. Structural
2. Recognizing and Avoiding Valuation Bias

D. Case Studies

1. Current Valuation Bias Topics
2. Best Practices for Avoiding Valuation Bias



PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA®)

The goal of the following is to outline necessary Content Criteria that must be included in the development of exercises, examples, simulations, case studies, and applications as are appropriate to recreate the practical experience expected to be gained by an appraiser seeking a license credential. At least 3 USPAP compliant appraisal reports will be developed in the PAREA program for each licensing category. At a minimum, development and reporting of appraisals for single unit residences, 2-4 unit, and condominium units are essential.

MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

I. Introduction

A. General Considerations and Responsibilities

1. Discuss respecting the public trust
2. Review and comment on appraiser independence
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

B. Appraisal Software and Tools

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

II. Problem Identification

A. Understanding Assignment Parameters

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

B. Understanding Assignment Elements and Competency Issues

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding common client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions (e.g., FHA, VA, USDA, etc.).
2. Provide exercises for defining the problem. The goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work
4. Ensure that exercises demonstrate impact on both assignment conditions and elements.
5. Include exercises where an appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

C. Market, Neighborhood, and Subject Property Research

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Develop the general area and neighborhood market analysis.
 - a. Overview of available data sources for market area information.

3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics (Standards Rule 1-2(e)).

D. Obtaining Preliminary Subject Property Information

1. Simulate setting the inspection appointment with related requests/requirements.
2. Determine how you will verify individual providing access.
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment.

III. Review Sections I and II with Mentor

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

IV. Property Identification and Inspection along with Initial Site Identification

- A. Research available information sources including public records.
- B. Zoning, general plan information
 1. Identify where to locate all sources of information
 2. Verification of revisions to zoning/general plan
 3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
 1. Location of relevant research information
 2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

V. Verification of Neighborhood and Market Area

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

VI. Subject Site Inspection

- A. Verify similarity to plat, observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
 1. Determine and explain how useable site area relates to surrounding properties
- C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value

VII. Subject Property Improvements Inspection

- A. Overview
 1. Types/quality of construction
 2. Floor plan issues, determination of room counts
 3. Observable condition factors and description of upgrades
 4. Recognition of potential/existing adverse influences
- B. Conduct a virtual physical inspection to determine relevant physical characteristics
- C. Provide a thorough description of improvements

VIII. Measuring the Subject Property Improvements

- A. Exercises to include methods and ultimately determination of:
 1. Basements



2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

B. Include virtual exercises in measuring subject properties

C. Other sources for obtaining GLA

IX. Sketch Completion

A. Include sketch completion exercises

B. Exercises must include final GLA determination (what areas should be extracted from GLA)

X. Review Sections IV thru IX with Mentor

A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements

XI. Market Analysis/ Highest and Best Use

A. Highest and Best Use

1. Overview of pertinent data, including current/proposed/potential alternative use and communication of highest and best use

B. Performing Neighborhood and Market Research

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area

XII. Review Section XI with Mentor

A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed

XIII. Process of Sales Analysis

A. Identify the best sources of sales data for use in case studies including:

1. MLS
2. City/County (public) transfer records
 - a. How to verify
3. Data providers
4. Appraiser office files
 - a. Confidentiality concerns
5. Real estate agents/brokers
 - a. How to verify

B. Select the same or similar property types, uses, and characteristics.

1. Identify elements of comparison
2. Develop exercises for various property types

C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales

XIV. Review Section XIII with Mentor

A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.

XV. Valuation Approaches and Techniques

A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.

B. Sales Comparison Approach

1. Analyze quality and quantity of data

- a. Identify relevant units of comparison
 - b. Data and information collected must be analyzed for comparability and consistency
- 2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
 - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
 - 1. Paired sales analysis
 - 2. Statistical and other graphic analysis
- 3. Trend analysis
- 4. Qualitative differences, including:
 - a. Relative comparison analysis
 - b. Ranking analysis
- 5. Discuss and reconcile key elements developed in the sales comparison approach

C. Cost Approach

- 1. Develop site value of the subject as vacant using recognized methods or techniques
 - a. Include contributory value of site improvement
- 2. Discuss use of replacement or reproduction cost
 - a. Develop supportive data for the cost calculations
 - b. Calculate cost new for the improvements
 - c. Calculate depreciation (demonstrate and apply types, consider market trends)
 - d. Discuss and reconcile key elements developed in the cost approach

D. Income Approach

- 1. Collection and verification of pertinent rental data (actual vs. contract)
- 2. Determine appropriate GRM (Gross Rent Multiplier)
- 3. Discuss and reconcile key elements developed in the income approach

XVI. Review Section XV with Mentor

- A. Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)

XVII. Final Reconciliation

- A. Analyze and discuss accuracy and sufficiency of data
- B. Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property
- C. Analyze and discuss consistency of data and development
- D. Analyze and discuss the quality and quantity of data
- E. Review calculations
- F. Develop the final opinion of value along with the rationale for your conclusions

XVIII. Review Section XVII with Mentor

- A. Ensure final reconciliation was performed properly and determine appropriate reporting

XIX. Appraisal Report Development/Delivery

A. Report Development

- 1. Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
 - a. Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
 - 1. Technical terms
 - 2. Common industry phrases and descriptors
 - 3. Fair lending do's and don'ts
 - 4. Identify relevant information using industry typical approaches and technologies
 - b. Ability to describe a market area and a neighborhood (same subset as above)



- c. Report format
 - 1. Comply with all applicable assignment elements and conditions
 - 2. Awareness and compliance with state regulatory requirements
 - 3. Describe scope of work
 - 4. Ensure applicable appropriate addenda, exhibits, photos, etc. are included
 - 5. Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
- d. Certification
 - 1. Ensure familiarity with pre-printed content and applicability.
 - 2. Develop exercises on completion of workfile documents
 - 3. Demonstrate an ability to store and compile documents

XX. Review Section XIX with Mentor

- A. Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

XXI. Communication of Assignment Results

- A. Adequacy and relevance of Information
 - 1. USPAP compliance
 - 2. Assignment conditions
- B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.
 - 1. Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
 - 2. Adequate support for analysis
- C. Explain and support rationale for excluding any of the traditional approaches
 - 1. Explain and support reconciliation
 - 2. Explain all assumptions
- D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

XXII. Review Section XXI with Mentor

- A. Ensure understanding of effective appraisal report presentation and required content
- B. Ensure compliance with Standards Rule 2-2

MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

I. Problem Identification

- A. Relevant Scope of Work and Competency Issues Involved
 - 1. Develop exercises on how competency issues will be resolved.
 - 2. Conduct a preliminary analysis to ensure an appropriate Scope of Work

II. Review Section I with Mentor

- A. Ensure understanding of how Issues uncovered during property Identification process relate to complexity. Also, focus on complex ownership Issues

III. Positive or Negative Locational Influences

- A. Recognize Population/Employment Trends
- B. Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

IV. Residential Market Analysis/Highest and Best Use

- A. Market Analysis Issues Related to Highest and Best Use for Complex Properties

- B. Special Assessments
- V. Review Sections III and IV with Mentor
 - A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed.
- VI. Physical Characteristics of Complex Properties – Identify and discuss
 - A. Unique Design Features
 - B. High Quality/Amenity Properties
 - C. Over-Improvements
 - D. Physical Deficiencies of Improvements
 - E. Functional Inadequate and Super Adequate Impact
- VII. Vacant Sites (Including View Amenities, Surplus Land)
 - A. Develop exercises that contain issues covered under Site and Cost Approaches
- VIII. Use of Key Statistical Concepts
 - A. Develop appropriate statistical tools to be used in development of opinion of value
 - B. Explain and support their application
- IX. Key Market Driving Influences
 - A. Determine most appropriate units of comparison (market drivers)
 - B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)
- X. Review Sections VI thru IX with Mentor
 - A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed
 - B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value
- XI. Site Valuation and Cost Approaches
 - A. Site Valuation
 - 1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)
 - B. Develop a supportable Land/Site Valuation - using the following methods:
 - 1. Allocation
 - 2. Market extraction
 - 3. Ground rent capitalization
 - 4. Land residual method; and
 - 5. Sales comparison
 - C. Construction Costs
 - 1. Exercises related to high amenity structures
 - 2. Discuss local cost influences
 - D. Functional Obsolescence
 - 1. Distinguish between curable and incurable forms
 - 2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties
 - E. External Obsolescence
 - 1. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties



XII. Review Section XI with Mentor

- A. Ensure the Cost Approach has been performed properly.**

XIII. Sales Comparison Approach

A. Sales Concessions

1. Is the subject property subject to sales concessions?
2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
3. Cash equivalency related to financing terms

B. Identifying and Applying Atypical Adjustments – develop support related to the following:

1. High amenity custom quality adjustments
2. Site adjustments
3. Adjustment support/matched pairs, statistical methods
4. Adjustment support for unique one-off property sales Including those with Accessory Dwelling Units

XIV. Review Section XIII with Mentor

- A. Ensure the sales comparison approach has been performed properly.**

XV. Income Approach

A. 1-4 Unit Appraisals

1. Perform collection of comparable rent data
2. Complex rental adjustments
3. Understand and apply impact of complex amenities
4. Factor for Expense allocations between comparable transactions

B. Unique 2-4 unit assignments – discuss the following:

1. Location premiums within PUD/condo
2. Impact of rent control or subsidies
3. Student housing
4. Seasonal and short-term rentals

C. GRM analysis

1. Non-market rent impact on GRM
2. Perform reconciliation of GRM indicators

XVI. Review Section XV with Mentor

- A. Review the Income approach to value and ensure proper analysis and support for conclusions**

XVII. Writing and Reasoning Skills

A. Data Presentation

1. Develop presentation of data in tables, charts, and graphs as appropriate
2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
3. Underscore proper and understandable use of English
 - a. Have another proofread whenever possible

B. Discussion of Approaches to Value

1. Adjust depth of discussion to the intended user(s)

C. Support for Conclusions

1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation

D. Summary of Data and Reconciliation of Value Approaches

1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

XVIII. Review Section XVII with Mentor

- A. Ensure understanding of effective appraisal report presentation and required content**

- B. Ensure compliance with Standards Rule 2-2**



APPENDIX

GUIDE NOTES



GUIDE NOTES

AQB GUIDE NOTE 1 (GN-1) AQB GUIDANCE FOR REQUIRED CORE CURRICULUM CONTENT

Guide Note 1 (GN-1) contains guidance for curriculum content with subtopics listed under each education module (I through XIV) listed. The subtopics in Guide Note 1 are used in developing examination content outlines for each respective credential level and may also be amended from time-to-time to reflect changes in technology or in the Body of Knowledge. The hours shown for each educational module are the minimums required; students may complete more than the minimum required for each module.

Candidates for a real property appraiser credential should carefully review the educational modules below, keeping in mind that some modules only apply to certain classifications. For example, education module IX (*Advanced Residential Applications and Case Studies*) is only required for the Certified Residential classification. Also, education module XIII (*General Appraiser Income Approach*) is required for the Certified General classification but no others. As a result, candidates should structure their education program giving careful consideration to the credential being sought.

I. BASIC APPRAISAL PRINCIPLES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications) 30 HOURS

- A. Real Property Concepts and Characteristics
 - 1. Basic Real Property Concepts
 - 2. Real Property Characteristics
 - 3. Legal Description
- B. Legal Considerations
 - 1. Forms of Ownership
 - 2. Public and Private Controls
 - 3. Real Estate Contracts
 - 4. Leases
- C. Influences on Real Estate Values
 - 1. Governmental
 - 2. Economic
 - 3. Social
 - 4. Environmental, Geographic, and Physical
- D. Types of Value
 - 1. Market Value
 - 2. Other Value Types

- E. Economic Principles
 - 1. Classic Economic Principles
 - 2. Application and Illustrations of the Economic Principles
- F. Overview of Real Estate Markets and Analysis
 - 1. Market Fundamentals, Characteristics, and Definitions
 - 2. Supply Analysis
 - 3. Demand Analysis
 - 4. Use of Market Analysis
- G. Ethics and How They Apply in Appraisal Theory and Practice
- H. Valuation Bias and Fair Housing Laws and Regulations

II. BASIC APPRAISAL PROCEDURES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications) 30 HOURS

- A. Overview of Approaches to Value

B. Valuation Procedures 1. Defining the Problem 2. Collecting and Selecting Data 3. Analyzing 4. Reconciling and Final Value Opinion 5. Communicating the Appraisal C. Property Description 1. Geographic Characteristics of the Land/Site 2. Geologic Characteristics of the Land/Site 3. Location and Neighborhood Characteristics 4. Land/Site Considerations for Highest and Best Use 5. Improvements - Architectural Styles and Types of Construction 6. Special Energy-Efficient Characteristics of the Improvements D. Residential or General Applications	1. Test Constraints 2. Application of Highest and Best Use 3. Special Considerations 4. Market Analysis 5. Case Studies
III. VALUATION BIAS AND/OR FAIR HOUSING LAWS AND REGULATIONS (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications) 8 HOURS A. Understanding Real Estate Bias 1. Historical Context 2. Contemporary Context B. Federal Fair Housing and Antidiscrimination Laws and Regulations 1. Laws and Regulations 2. Key Legal Concepts C. Valuation Bias 1. Components of Valuation Bias 2. Recognizing and Avoiding Valuation Bias D. Case Studies 1. Current Valuation Bias Topics 2. Best Practices for Avoiding Valuation Bias	VI. RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Licensed Residential and Certified Residential classifications) 15 HOURS A. Site Valuation 1. Methods 2. Case Studies B. Cost Approach 1. Concepts and Definitions 2. Replacement/Reproduction Cost New 3. Accrued Depreciation 4. Methods of Estimating Accrued Depreciation 5. Case Studies
IV. 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications) 15 HOURS	VII. RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES (required for the Licensed Residential and Certified Residential classifications) 30 HOURS A. Valuation Principles & Procedures - Sales Comparison Approach B. Valuation Principles & Procedures - Income Approach C. Finance and Cash Equivalency 1. Identification of Seller Concessions and Their Impact on Value D. Financial Calculator Introduction E. Identification, Derivation, and Measurement of Adjustments F. Gross Rent Multipliers G. Partial Interests H. Reconciliation I. Case Studies and Applications
V. RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Licensed Residential and Certified Residential classifications) 15 HOURS A. Residential Markets and Analysis 1. Market Fundamentals, Characteristics, and Definitions 2. Supply Analysis 3. Demand Analysis 4. Use of Market Analysis B. Highest and Best Use	VIII. RESIDENTIAL REPORT WRITING AND CASE STUDIES (required for the Licensed Residential and Certified Residential classifications) 15 HOURS A. Writing and Reasoning Skills B. Common Writing Problems C. Form Reports D. Report Options and USPAP Compliance E. Case Studies
	IX. STATISTICS, MODELING AND FINANCE (required for the Certified Residential and Certified General classifications) 15 HOURS A. Statistics B. Valuation Models (AVM's and Mass Appraisal) C. Real Estate Finance



X. ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES (required for the Certified Residential classification)

15 HOURS

- A. Complex Property, Ownership, and Market Conditions
- B. Deriving and Supporting Adjustments
- C. Residential Market Analysis
- D. Advanced Case Studies
 - 1. Seller Concessions
 - 2. Special Energy-Efficient Items (i.e., “Green Buildings”)

XI. GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Certified General classification)

30 HOURS

- A. Real Estate Markets and Analysis
 - 1. Market Fundamentals, Characteristics, and Definitions
 - 2. Supply Analysis
 - 3. Demand Analysis
 - 4. Use of Market Analysis
- B. Highest and Best Use
 - 1. Test Constraints
 - 2. Application of Highest and Best Use
 - 3. Special Considerations
 - 4. Market Analysis
 - 5. Case Studies

XII. GENERAL APPRAISER SALES COMPARISON APPROACH (required for the Certified General classification)

30 HOURS

- A. Value Principles
- B. Procedures
- C. Identification and Measurement of Adjustments
- D. Reconciliation
- E. Case Studies
 - 1. Seller Concessions
 - 2. Special Energy-Efficient Items (i.e., “Green Buildings”)

XIII. GENERAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Certified General classification)

30 HOURS

- A. Site Valuation
 - 1. Methods
 - 2. Case Studies
- B. Cost Approach
 - 1. Concepts and Definitions
 - 2. Replacement/Reproduction Cost New
 - 3. Accrued Depreciation
 - 4. Methods of Estimating Accrued Depreciation
 - 5. Case Studies

XIV. GENERAL APPRAISER INCOME APPROACH (required for the Certified General classification)

60 HOURS

- A. Overview
- B. Compound Interest
- C. Lease Analysis
- D. Income Analysis
- E. Vacancy and Collection Loss
- F. Estimating Operating Expenses and Reserves
- G. Reconstructed Income and Expense Statement
- H. Stabilized Net Operating Income Estimate
- I. Direct Capitalization
- J. Discounted Cash Flow
- K. Yield Capitalization
- L. Partial Interests
- M. Case Studies

XV. GENERAL APPRAISER REPORT WRITING AND CASE STUDIES (required for the Certified General classification)

30 HOURS

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Report Options and USPAP Compliance
- D. Case Studies



AQB GUIDE NOTE 2 (GN-2)

AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

RETIRED, OCTOBER 2005



AQB GUIDE NOTE 3 (GN-3)

AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE SCOPE OF PRACTICE FOR THE LICENSED RESIDENTIAL AND CERTIFIED RESIDENTIAL CLASSIFICATIONS IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

With respect to the *Real Property Appraiser Qualification Criteria* for the Licensed Residential and Certified Residential classifications:

The scope of practice identified herein represents the consensus of the Appraiser Qualifications Board. The Federal Financial Institutions Regulatory Agencies, as well as other agencies and regulatory bodies, permit the Certified Residential (or Licensed) classification to appraise properties other than those identified within these Criteria. Individuals should refer to agency regulations and state law to determine the type of property that may be appraised by the Certified Residential (or Licensed) appraiser.

AQB GUIDE NOTE 4 (GN-4)

AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

RETIRED, FEBRUARY 2026



AQB GUIDE NOTE 5 (GN-5)

AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO RECIPROCITY, TEMPORARY PRACTICE, RENEWALS, AND APPLICATIONS FOR THE SAME CREDENTIAL IN ANOTHER JURISDICTION, AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section II Existing Credential Holders, reads as follows:

Existing credential holders in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board Real Property Appraiser Qualification Criteria if they have passed an AQB approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.

The intent of the AQB is to allow current credential holders who are in good standing within their jurisdictions to obtain reciprocal credentials, temporary practice permits, renewals of existing credentials, and an equivalent credential in another jurisdiction without having to meet the current AQB *Criteria*. If an appraiser holds a valid appraiser credential supported by an AQB approved examination, the appraiser will be deemed by the AQB to be in full compliance with the current *Criteria*.

For example, if a Certified General credential holder who received a credential prior to adoption of the current *Criteria* in one jurisdiction were to relocate to another jurisdiction after adoption of the current *Criteria*, for AQB purposes that existing “home” state credential would be sufficient to support an equivalent credential in the “new” state. The credential holder would be deemed to have met the current *Criteria* for education, experience and examination.

The AQB understands that the individual Title XI jurisdictions must operate in compliance with applicable state laws with regard to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. While Title XI jurisdictions are only required to meet the AQB *Criteria*, existing state laws may require that these minimums be exceeded. It is possible that a jurisdiction, because of existing law, might require an applicant for an equivalent credential from another jurisdiction to meet all of the current AQB *Criteria* (i.e., education, experience, and examination) in order to obtain the credential in their jurisdiction.

For example, consider an appraiser who holds a Certified General credential in State A and decides to relocate to State B. State B must apply both AQB *Criteria* and State law in determining whether the appraiser from State A qualifies for an appraiser credential in State B. While the AQB considers the valid existing credential in State A to be adequate documentation of conformance to AQB *Criteria*, some State laws might require the appraiser to submit a complete application, including appropriate documentation of experience, education, and successful exam completion. This new application requirement might involve some of the following issues:

- Depending on the wording of the State law, this could mean that the appraiser from State A would have to conform to the current *Criteria* to obtain a credential from State B. Among other things, the appraiser would have to reconstruct his/her appraisal education, perhaps going back as much as 20 to 30 years. The State, then, would have to determine whether that education conformed to the current AQB *Criteria* as implemented by State law.
- Virtually all appraiser education obtained prior to 2008 was provided in what is considered the “integrated” approach. If State B does not accept integrated educational courses, the appraiser from State A would be required to obtain 300 hours of education acceptable under current *Criteria*, plus a college degree, to qualify for a Certified General credential in State B.



It was not the AQB's intent to impose such hardships on appraisers or regulatory agencies. It was the intent of the AQB in drafting the language in Section II of "Existing Credential Holders" that jurisdictions would recognize those appraisers that held credentials prior to the adoption of the current *Criteria*. The acceptance of the existing credential holders would provide for a smooth transition from prior *Criteria* to the current (and beyond) *Criteria*.

The AQB encourages jurisdictions to examine their statutes and regulations and initiate any changes that might be necessary to facilitate a smooth transition.



AQB GUIDE NOTE 6 (GN-6)

AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE VERIFICATION OF EXPERIENCE CREDIT AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section V.G. (Generic Experience *Criteria*) reads as follows:

- G. *The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:*
1. *Type of property;*
 2. *Date of report;*
 3. *Address of appraised property;*
 4. ***Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;***
 5. *Number of actual work hours by the trainee/applicant on the assignment; and*
 6. *The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.*

(Bold added for emphasis)

As indicated above, the *Criteria* mandates that the forms used to verify experience credit include all of the identified items. Five of the six items listed are fairly self-explanatory; however, the AQB has received inquiries regarding the intent of item #4 above (the bolded text).

It is the intent of the AQB that the verification of experience clearly identifies three things under item #4:

- 1) A description of the work performed by the trainee or applicant;
- 2) The scope of the review performed by the supervising appraiser; and
- 3) The level of supervision performed by the supervising appraiser.

Although the scope of review and level of supervision performed by the supervising appraiser might appear to be redundant at first glance, they are not. For example, in certain assignments a supervising appraiser might determine that a lesser level of supervision is required, but that might not impact the level of review performed.

The AQB recognizes that assignments may differ significantly; therefore, the level of review and supervision by the supervising appraiser may also differ from assignment to assignment. Also, depending on the assignments involved, it might be expected that the supervising appraiser’s level of review and supervision diminish over time as the trainee/applicant gains competency.

The following page includes an example of an experience log that includes the information required by the *Criteria*. The attached is merely one possible example of an experience log. Any format that includes the items listed under Section V.G., Generic Experience *Criteria*, as specified in the *Real Property Appraiser Qualification Criteria*, is acceptable.

It should be noted that experience logs or other forms prescribed by a state appraiser regulatory agency to verify experience credit might appear very different, including requiring substantially more information than is identified in the example below. However, as stated above, all forms must, at a minimum, include the items listed under Section V.G., “Generic Experience *Criteria*,” as specified in the *Real Property Appraiser Qualification Criteria*.

Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
1/3/08	123 Oak Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approaches, final reconciliation	Reviewed workfile and report, verified subject sales history, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first SFR appraisal for applicant)	7
6/7/08	455 Pine Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approach, final reconciliation	Reviewed workfile and report, verified all comparable data and analyses, verified homeowner's association info, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in site value analysis used in cost approach, did not physically inspect subject property	7
1/10/09	202 Spruce Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	10
1/24/09	115 Pennsylvania Ave. Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first commercial appraisal for applicant)	30



Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
8/14/09	200 S Broadway Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/ exterior property inspection, cost/ sales comparison/ income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in DCF analysis used in income approach, did not physically inspect subject property	40
1/10/10	300 Capitol Avenue Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/ exterior property inspection, cost/ sales comparison/ income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	40
2/12/10	144 Elm Avenue Washington, DC 20005	Golf Course	Completed entire appraisal process	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal	Completed entire appraisal process	60

Thomas D. Trainee
Applicant/Trainee Appraiser

Sally A. Supervisor
Supervisory Appraiser

State
Certification No.

AQB GUIDE NOTE 7 (GN-7)

THIS GUIDE NOTE RELATES TO DEGREE PROGRAMS IN REAL ESTATE REVIEWED BY THE AQB, AND THEIR APPLICABILITY TOWARDS THE QUALIFYING EDUCATION SPECIFIED IN THE REQUIRED CORE CURRICULUM.

RETIRED, JANUARY 2015



AQB GUIDE NOTE 8 (GN-8)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATIONAL REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE ON JANUARY 1, 2008.
RETIRED, JANUARY 2015

AQB GUIDE NOTE 9 (GN-9)

THIS GUIDE NOTE RELATES TO THE BACKGROUND CHECK REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2017.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Real Property Appraiser Qualification Criteria*, Section VII. Background Checks, reads as follows:

All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.

Some jurisdictions have been performing background checks since the implementation of real property appraiser credentialing, while others have not. This Guide Note is intended to provide additional guidance, in particular to those jurisdictions with little to no experience in evaluating an applicant’s background as part of the applicant’s overall fitness for licensure or certification.

EXAMPLES OF ISSUES TO CONSIDER

Some of the types of background issues that state appraiser regulatory agencies might consider include, but are not limited to, applicants who have:

- (1) Had an appraiser license or certification revoked in any governmental jurisdiction.
- (2) Been convicted of, or pled guilty or *nolo contendere* to, a crime involving moral turpitude.
- (3) Been convicted of any crime *that is substantially related* to the qualifications, functions, or duties of the profession of real estate appraisal.
- (4) Performed any act, which if done by the holder of a real property appraiser credential, would be grounds for revocation or suspension of such a credential.
- (5) Knowingly made a false statement of material fact required to be disclosed in an application for any professional license or certification.
- (6) Been prohibited from participating in the affairs of an insured depository institution pursuant to Section 19(a) of the Federal Deposit Insurance Act (12 U.S.C. Section 1829).

SUBSTANTIAL RELATIONSHIP

A crime or act may be deemed substantially related to the qualifications, functions, or duties of an appraiser if, to a substantial degree, it evidences present or potential unfitness of a person applying for or holding a real property appraiser credential to perform the functions authorized by the credential. Examples of the types of crimes or acts include, but are not limited to, the following:

- (1) Taking, appropriating, or retaining the funds or property of another.
- (2) Forging, counterfeiting, or altering any instrument affecting the rights or obligations of another.
- (3) Evasion of a lawful debt or obligation, including but not limited to tax obligations.
- (4) Traffic in any narcotic or controlled substance in violation of law.
- (5) Violation of a relation of trust or confidence.
- (6) Theft of personal property or funds.



- (7) Crimes or acts of violence or threatened violence against persons or property.
- (8) The commission of any crime or act punishable as a sexually related crime.
- (9) Misrepresentation of facts or information on the appraisal license or certification application.
- (10) Cheating on an examination for a real property appraiser credential.

REHABILITATION

Upon a determination that an applicant's background is inconsistent with public trust, state appraiser regulatory agencies should consider all evidence related to the extent an applicant is rehabilitated, including testimony or other documentation demonstrating things such as:

- (1) The effect of the passage of time since the most recent act or crime.
- (2) Restitution by the applicant to any person who has suffered monetary losses.
- (3) Judicial relief from the consequences of criminal convictions resulting from immoral or antisocial acts, including but not limited to release from probation, finding of factual innocence, a completed program of diversion, or other comparable orders of a court.
- (4) Successful completion or early discharge from probation or parole.
- (5) Abstinence from the use of controlled substances or alcohol for not less than two years if the crime or offense is attributable in part to the use of controlled substances or alcohol.
- (6) Payment of any fine or other imposed monetary penalty.
- (7) Stability of family life and fulfillment of parental and familial responsibilities subsequent to the act or conviction.
- (8) Completion of, or sustained enrollment in, formal education or vocational training courses for economic self-improvement.
- (9) Discharge of, or bona fide efforts toward discharging adjudicated debts or monetary obligations to others.
- (10) Mitigating facts or circumstances that reasonably indicate that an applicant will perform appraisal-related activities honestly, fairly, and ethically.
- (11) Correction of business practices resulting in injury to others or with the potential to cause such injury.
- (12) Significant or conscientious involvement in community, church, or privately-sponsored programs designed to provide social benefits.
- (13) New and different social and business relationships from those that existed at the time of the act or crime.
- (14) Change in attitude from that which existed at the time of the act or crime, as evidenced by any or all of the following:
 - a) Testimony of applicant.
 - b) Evidence from family members, friends, or other persons familiar with applicant's previous conduct and his or her subsequent attitudes and behavioral patterns.
 - c) Evidence from probation or parole officers or law enforcement officials competent to testify as to applicant's social adjustments.
 - d) Evidence from psychiatrists or other persons competent to testify with regard to psychiatric or emotional disturbances.

The above is intended to be illustrative, not exhaustive. State appraiser regulatory agencies, in performing their due diligence when examining an applicant's qualifications for a real property appraiser credential, may elect to include additional items not identified in this Guide Note. Likewise, state appraiser regulatory agencies may determine, based on their own experience and history, that some of the items identified in this Guide Note may not be applicable to an applicant seeking a real property appraiser credential in that jurisdiction.

AQB GUIDE NOTE 10 (GN-10)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATION REQUIREMENTS FOR THE CERTIFIED RESIDENTIAL CLASSIFICATION AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE MAY 1, 2018.

Section III. B. 3. of the “Qualifying Education” requirements for the Certified Residential credential in the *Real Property Appraiser Qualification Criteria* states that Certified Residential applicants may obtain a credential by successfully completing 30 semester hours of college-level courses that cover each of the following topic areas and hours:

- a. English Composition (3 semester hours);
- b. Microeconomics (3 semester hours);
- c. Macroeconomics (3 semester hours);
- d. Finance (3 semester hours);
- e. Algebra, Geometry, or higher mathematics (3 semester hours);
- f. Statistics (3 semester hours);
- g. Computer Science (3 semester hours);
- h. Business or Real Estate Law (3 semester hours); and
- i. Two elective courses in any of the topics listed above or accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).

The intent of this guidance is to assist regulatory agencies and applicants with determining which types of college-level courses may count toward these requirements. Although several course titles are provided as acceptable options, the content of the course is far more meaningful than the actual title. Therefore, there may be acceptable courses that contain similar content but do not have titles referenced in this Guide Note.

1. **English Composition** – *English Composition is the professional field of writing.*

Possible alternative course titles for this section include, but are not limited to: College Composition; Descriptive / Critical / Expository / Technical / Public / Business / Professional Writing; Foundations of the English Language; Writing Fiction; Writing Creative Non-Fiction; or Rhetoric and Writing.

2. **Microeconomics** – *The study of individuals, households, and firms’ behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues.*

Most college-level education on this topic includes the word “microeconomics” in the course title.

3. **Macroeconomics** – *Studies of the behavior and performance of an economy as a whole. It focuses on the aggregate changes in the economy such as unemployment, growth rate, gross domestic product, and inflation.*

Most college-level education on this topic includes the word “macroeconomics” in the course title.

4. **Finance** – *The management of revenues; the conduct or transaction of money matters generally, especially those affecting the public, as in the fields of banking investment.*

Possible alternative course titles for this section include, but are not limited to: Corporate Finance; Introduction to Business; Financial Markets and Institutions; International Business Finance; Principles of Finance; or Real Estate Finance and Investment.



5. **Algebra, Geometry, or Higher Mathematics** – *Higher mathematics includes advanced portions of mathematics beyond ordinary arithmetic, geometry, and algebra.*

Possible alternative course titles for this section include, but are not limited to: Algebra; Applied Math; Calculus; Differential Equations; Finite Mathematics; Geometry; Logic; Precalculus; Probability and Statistics; or Trigonometry.

6. **Statistics** – *Branch of mathematics concerned with collection, classification, analysis, and interpretation of numerical facts, for drawing inferences based on their quantifiable likelihood (probability). Statistics can interpret aggregates of data too large to be intelligible by ordinary observation because such data (unlike individual quantities) tend to behave in a regular, predictable manner. It is subdivided into descriptive statistics and inferential statistics.*

Possible alternative course titles for this section include, but are not limited to: Applied Linear Models; Bayesian Theory and Data Analysis; Business Statistics; Exploratory Data Analysis; Introduction to Statistics; Multivariate Data Analysis; Non-Parametric Theory and Data Analysis; Probability Statistics; Sampling; Statistical Analysis; Statistical Reasoning; Statistical Methods; or Time Series Analysis.

7. **Computer Science** – *A branch of science that deals with the theory of computation or the design of computers.*

Possible alternative course titles for this section include, but are not limited to: The Computer Science Profession; Introduction to Computer Science / Computers / Information Technology / Programming / Software Systems / Software Development / Web Development; Data Management; Database Fundamentals; Integrated Computer Applications; Object Oriented Programming; or System Administration.

8. **Business or Real Estate Law** – *Business law, sometimes called mercantile law or commercial law, refers to the laws that govern the dealings between people and commercial matters. There are two distinct areas of business law: regulation of commercial entities through laws of partnership, company, bankruptcy, and agency; and regulation of the commercial transactions through the laws of contract. The course titles will typically include compliance, risk, legal framework, and writing contracts.*

Real estate law is a branch of civil law that covers the right to possess, use, and enjoy land and the permanent man-made additions attached to it.

Possible alternative course titles for this section include, but are not limited to: Business Law for Accountants; Corporate Law Compliance; Drafting Policies and Procedures; Enterprise Risk Management; Financial Ethics; Legal Aspects of Real Estate; The Legal Environment of Business; Business Organization Law; or Writing Contracts.

9. **Two elective courses in accounting, geography, agricultural economics, business management, or real estate.**

Accounting – *Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.*

Possible alternative course titles for this section include, but are not limited to: Accounting Principles; Financial Accounting; Financial Markets and Institutions; Managerial Accounting; or Real Estate Market Analysis.

Geography – *Geography is the study of the physical features of the earth and its atmosphere, and of human activity as it affects and is affected by these, including the distribution of populations and resources, land use, and industries.*

Possible alternative course titles for this section include, but are not limited to: GIS Data Capture; Introduction to Geographic Information; Physical Geography; or World / Regional Geography.

Agricultural Economics – *An applied field of economics concerned with the application of economic theory in optimizing the production and distribution of food and fiber — a discipline known as agronomics.*

Possible alternative course titles for this section include, but are not limited to: Agribusiness Management; Agricultural Management Principles; Concepts in Agricultural Economics; Issues in Agriculture; Microeconomic Concepts in Agricultural Economics; or Quantitative Methods and Price Analysis.

Business Management – *The activities associated with running a company, such as controlling, leading, monitoring, organizing, and planning.*

Possible alternative course titles for this section include, but are not limited to: Business Marketing; Human Resource Management; Organizational Behavior; or Operations Management.

Real Estate – *Real estate is the property, land, buildings, air rights above the land and underground rights below the land.*

Possible alternative course titles for this section include, but are not limited to: Commercial Lease Analysis; Fundamentals of Investment Analysis; Fundamentals of Real Estate Transactions; Managing Commercial Properties; Market Analysis; Real Estate Economics; Real Estate Finance; Real Estate Procedures; or Real Estate Studies.



AQB GUIDE NOTE 11 (GN-11)

THIS GUIDE NOTE RELATES TO THE PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA) REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2021.

AQB GUIDANCE FOR DELIVERY METHODS AND TECHNIQUES IN PAREA TRAINING

Guide Note 11 (GN-11) contains guidance for the delivery of PAREA training. The suggested delivery methods and techniques follow each of the required content areas as identified in the PAREA section of the Criteria, and are abbreviated using the following legend:

Method	Abbreviation
Computer Based Learning	CBL
Video Gaming	VG
Video Tutorial	VT
Virtual Assistant	VA
Virtual Reality Training	VRT

These delivery methods and techniques may be amended from time-to-time to reflect changes in technology or required PAREA content.

PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA*)

The goal of the following is to suggest potential technologically based delivery methods that could be used in the development of exercises, examples, simulations, case studies, and applications as are appropriate to create practical experience expected to be gained by an appraiser seeking a license credential with respect to the content outline in Section 3. PAREA providers may utilize some, all or a combination of the well-established methods described above. Providers are encouraged to utilize a variety of methodologies to ensure a comprehensive experience resulting in participants having sufficient practical experience to enable success in obtaining an appraisal license or certification.

MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

I. Introduction

A. General Considerations and Responsibilities [CBL, VT]

1. Discuss respecting the public trust
2. Review and comment on Appraiser Independence Requirements
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

Methods and Techniques

- Highlight USPAP considerations (e.g. improper influence, prior services) [VT, VG]
- Demonstrate Appraiser Independence Requirements (AIR) and other regulatory guidance, with examples of acceptance and unacceptable conditions [CBL, VT, VG]

B. Appraisal Basics - Software and Tools [CBL, VT, VRT]

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

Methods and Techniques

- Identify various appraisal-related technology tools [VT, VA]
- Introduce and demonstrate the use of appraisal software [VA, VG, CBL]
- Identify and demonstrate the use of various measuring tools [VA, VG, CBL]
- Require completion of training on a base level camera as well as instruction on camera etiquette – obtaining consent to photograph certain subjects, such as children, personal effects, etc. [VT, VA, VG]
- Develop challenges around Graham-Leach-Bliley Act, Privacy/Information Security [VT, VA, VG]

II. Problem Identification**A. Understanding Assignment Parameters [CBL, VG, VT, VA]**

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

B. Understanding Assignment Elements and Competency Issues [VG, VT, VA, VRT]

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions.
2. Provide exercises for defining the problem. Goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work.
4. Ensure that the exercise demonstrates impact on both assignment conditions and elements.
5. Include exercises where appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

C. Market, Neighborhood, and Subject Property Research [CBL, VT, VA, VRT]

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Must develop the general area and neighborhood market analysis.
 - a. Overview of available data sources for market area information.
3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics {Standards Rule 1-2(e)}.

Methods and Techniques

- Perform a sample neighborhood “fly-by” with characteristics as specified above being identified [VT, VA, VRT].
- Review simulated MLS data to evaluate supply/demand [VT, VA, VG, CBL].
- Review public and private sources (e.g., proprietary data, Trulia, Zillow) [VT, VA, CBL].
- Analyze information from simulations to reveal trends on growth, values, prices, marketing times [VT, VA, VG, CBL].
- Collect data on simulated neighborhood using multiple examples and iterations (e.g., census, population trends, imitated zoning) [VT, VA, VG, CBL].
- Visually illustrate typical area boundaries (e.g., roadways, natural boundaries, zoning clusters) using multiple examples [VT, CBL, VG].
- Use simulated data tools (e.g., MLS, aggregators) to identify and determine price trends, market supply (current and historical information) [VT, VA, CBL].
- Using simulated property record system, obtain attributes of a subject property [VA, CBL].



D. Obtaining Preliminary Subject Property Information [CBL, VG, VT, VA, VRT]

1. Simulate setting the inspection appointment with related requests/requirements
2. Determine how you will verify individual providing access
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment

Methods and Techniques

- Create multiple scenarios to determine the adequacy of inspections (i.e., personal inspection, inspection by third party, and virtual inspection) and third-party reports to ensure an appropriate Scope of Work [VA, CBL]
- Create multiple scenarios (using good and bad examples) for inspection scheduling, communication, verification of data, etc. [VT, VA, VG]
- Conduct specific Q&A examples with virtual agent/broker, tenant, property owner, etc. [VT, VA, VG]

III. Review Sections I and II with Mentor

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

IV. Property Identification and Inspection along with Initial Site Identification [CBL, VG, VA, VRT]

- A. Research available information sources including public records
- B. Zoning, general plan information
 1. Identify where to locate all sources of information
 2. Verification of revisions to zoning/general plan
 3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
 1. Location of relevant research information
 2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

Methods and Techniques

- Demonstrate zoning map and analysis [VT/VA/CBL]
- Demonstrate flood map system and analysis [VT/VA/CBL]
- Demonstrate earthquake map and analysis [VT/VA/CBL]
- Demonstrate sample GIS system and analysis [VT/VA/CBL]

V. Verification of Neighborhood and Market Area [CBL, VT, VA, VRT]

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

Methods and Techniques

- Virtual neighborhood tours identifying positive and negative influences [VT, VA, VRT]
- Demonstrate use of web-based mapping tools (e.g. Google Earth, Google Maps) and how to use analytics [VT, VA, CBL]

VI. Subject Site Inspection [CBL, VT, VA, VRT]

- A. Verify similarity to plat, Observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
 1. Determine and explain how useable site area relates to surrounding properties

C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value

Methods and Techniques

- Illustrate different site conditions, offer multiple options within each example, provide description choices, demonstrate appropriate analyses of scenarios [VT, VA, VRT]

VII. Subject Property Improvements Inspection [CBL, VT, VA, VRT]

A. Overview

1. Types/quality of construction
2. Floor plan issues, determination of room counts
3. Observable condition factors and description of upgrades
4. Recognition of potential/existing adverse influences

B. Conduct a virtual physical inspection to determine relevant physical characteristics

C. Provide a thorough description of improvements

Methods and Techniques

- Provide multiple examples (variety) of architecture, material types for exterior and interior surfaces, condition, quality, mechanicals, electrical systems and provide exercises for proper identification and analysis [VT, CBL]
- Identify physical and functional obsolescence, lack of conformity [VT, CBL]

VIII. Measuring the Subject Property Improvements [CBL, VG, VT, VA, VRT]

A. Exercises to include methods and ultimately determination of:

1. Basements
2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

B. Include virtual exercises in measuring subject properties

C. Other sources for obtaining GLA

IX. Sketch Completion [CBL, VT, VRT]

A. Include sketch completion exercises

B. Exercises must include final GLA determination (what areas should be extracted from GLA)

Methods and Techniques

- Demonstrate sketch measurement software applications using computers, tablets, handheld devices, etc. for various home designs (e.g., 1-story, 2-story, split-level, bi-level) [VT, VA, VG, VRT]
- Include multiple variations (e.g., bay windows, overhangs, open space 2nd story, basements, etc.) [VT, VA, VG, VRT]
- Include various tools (e.g., laser, roller, tape, etc.) [VT, VA, VG, VRT]
- Calculate square footage from plans and specs [VT, VA, VG, VRT]
- Complete several examples on a sketch program [VT, VA, VG, VRT]

X. Review Sections IV thru IX with Mentor

A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements



XI. Market Analysis/Highest and Best Use [CBL, VRT, VA, VT]

A. Highest and Best Use

1. Overview of pertinent data, including actual current/proposed/potential alternative use and communication of highest and best use

B. Performing Neighborhood and Market Research

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area.

Methods and Techniques

- Provide exercises reviewing and analyzing various property and site characteristics related to property use and the factors for determining highest and best use [CBL, VRT, VA, VG]
- Provide exercises reviewing market information, including maps, satellite images, aerial photographs, economic data, census data and analysis from third parties to determine boundaries, physical characteristics, and other factors relevant to the subject market area [CBL, VRT, VA, VT, VG]
- Provide exercises reviewing market and neighborhood information such as maps, plat maps, satellite images, aerial photographs, economic data, census data, etc. to determine neighborhood boundaries, characteristics and trends related to the analysis of the subject property [CBL, VRT, VA, VT, VG]

XII. Review Section XI with Mentor

- ### **A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**

XIII. Process of Sales Analysis [CBL, VG, VT, VA, VRT]

A. Identify the best sources of sales data for use in case studies including:

1. MLS
2. City/County (public) transfer records
 - a. How to verify
3. Data providers
4. Appraiser office files
 - a. Confidentiality concerns
5. Real estate agents/brokers
 - a. How to verify

B. Select the same or similar property types, uses, and characteristics.

1. Identify elements of comparison
2. Develop exercises for various property types

C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales

Methods and Techniques

- Demonstrate a typical MLS search, and other less common search options [VT/VA]
- Perform searches to identify applicable sales from a group of potential transactions [VT/VA/VG/CBL]
- Develop and demonstrate rationale for selection of sales [VT/VG/CBL]
- Conduct an interactive interview (incorporating checklist) on sales data confirmation [VT/VA]
- Research prior sales history with simulated data sites (e.g., assessor, public records, proprietary sources) [VT/VG/CBL]
- Identify appropriate elements of comparison [VT/VA/CBL]
- Introduce confidentiality issues related to use of non-public information [VT/VA/VG]
- Update workfile with results, incorporate electronic vs. paper vs. combination [VT/VA]

XIV. Review Section XIII with Mentor

- ### **A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.**

XV. Valuation Approaches and Techniques [CBL, VG, V, VA, VRT]

- ### **A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.**

B. Sales Comparison Approach

1. Analyze quality and quantity of data
 - a. Identify relevant units of comparison
 - b. Data and information collected must be analyzed for comparability and consistency
2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
 - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
 1. Paired sales analysis
 2. Statistical and other graphic analysis
3. Trend analysis
4. Qualitative differences, including:
 - a. Relative comparison analysis
 - b. Ranking analysis
5. Discuss and reconcile key elements developed in the sales comparison approach

Methods and Techniques

- *Using simulated data, identify applicable approach(es) to value [VT, VG, CBL]*
- *Complete multiple sales comparison analyses using previously selected data for both vacant land and improved sites, incorporating applicable techniques to estimate appropriate adjustments [VT, VG, CBL]*
- *Add complexity at a basic level for commonly encountered external influences, super-adequacies, functional obsolescence [VT, VA, VG, CBL]*
- *Develop value opinions for multiple scenarios [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]*

C. Cost approach

1. Develop site value of the subject as vacant using recognized methods or techniques
 - a. Include contributory value of site improvement
2. Discuss use of replacement or reproduction cost
 - a. Develop supportive data for the cost calculations
 - b. Calculate cost new for the improvements
 - c. Calculate depreciation (demonstrate and apply types, consider market trends)
 - d. Discuss and reconcile key elements developed in the cost approach

Methods and Techniques

- *Complete a basic cost new, utilize several different cost approach models [VT, VG, CBL]*
- *Develop credible opinions of site value [VT, VG, CBL]*
- *Add basic level complexity (e.g., new homes, remodeled homes, homes having inadequacies) [VT, VA, VG, CBL]*
- *Develop supportable depreciation estimates, age-life method, add basic level complexities (e.g., repairs, obsolescence) [VT, VG, CBL]*
- *Develop indicated values by the cost approach [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation on multiple examples [VT, VA, VG, CBL]*

D. Income approach

1. Collection and verification of pertinent rental data (actual vs. contract)
2. Determine appropriate GRM (Gross Rent Multiplier)
3. Discuss and reconcile key elements developed in the income approach

Methods and Techniques

- *Develop appropriate comparison factors involved for gross rental estimate, sources [VT, VG, CBL]*
- *Identify comparables using simulated data sources (e.g., MLS, interviews, proprietary sources, door knocking, etc.) for rental information [VT, VA, CBL]*
- *Develop credible opinions of market rent [VT, VG, CBL]*
- *Develop GRM's from simulated comparable properties [VT, VG, CBL]*



- Develop indicated values by the income approach [VT, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]

XVI. Review Section XV with Mentor

- Ensure all approaches to value were adequately considered and completed in supportable fashion (Including cost and/or Income approaches if performed)

XVII. Final Reconciliation [CBL, VG, VT, VA, VRT]

- Analyze and discuss accuracy and sufficiency of data
- Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property
- Analyze and discuss consistency of data and development
- Analyze and discuss the quality and quantity of data
- Review calculations
- Develop the final opinion of value along with the rationale for your conclusions

Methods and Techniques

- Demonstrate multiple scenarios using the various approaches to analyze their strengths and weaknesses [VT, VA, VG, CBL]
- Perform check for accuracy of math and calculations [VT, VA, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VA, VG, CBL]

XVIII. Review Section XVII with Mentor

- Ensure final reconciliation was performed properly and determine appropriate reporting

XIX. Appraisal Report Development/Delivery [CBL, VG, VT, VA, VRT]

A. Report Development

- Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
 - Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
 - Technical terms
 - Common industry phrases and descriptors
 - Fair lending do's and don'ts
 - Identify relevant information using industry typical approaches and technologies
 - Ability to describe a market area and a neighborhood (same subset as above)
 - Report format
 - Comply with all applicable assignment elements and conditions
 - Awareness and compliance with state and federal regulatory requirements
 - Describe scope of work
 - Ensure applicable appropriate addenda, exhibits, photos, etc. are included
 - Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
 - Certification
 - Ensure familiarity with pre-printed content and applicability.
 - Develop exercises on completion of workfile documents
 - Demonstrate an ability to store and compile documents

Methods and Techniques

- Complete appraisal reports using several styles (e.g., forms such as 1004, condo, 2-4 units, short narrative) [VG, CBL]
- Provide samples of prior service disclosures (i.e., certifications) [VT, VA]

- Provide opportunities to create multiple versions of required exhibits (e.g., photos, sketches, maps) using simulated data [VT, VA, VG, CBL]
- Provide sample certifications, include correct and incorrect examples [VT, VA, VG, CBL]
- Provide sample limiting conditions, include correct and incorrect examples [VT, VA, VG, CBL]
- Verify required contents of workfile, incorporating examples of items that should/should not be included [VT, VA, VG, CBL]
- Demonstrate/use document storage examples (e.g., password, back-up) [VT, VA, CBL]

XX. Review Section XIX with Mentor

- A. Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

XXI. Communication of Assignment Results [CBL, VT, VA, VRT]

A. Adequacy and relevance of information

1. USPAP compliance
2. Assignment conditions

B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.

1. Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
2. Adequate support for analysis

C. Explain and support rationale for excluding any of the traditional approaches

1. Explain and support reconciliation
2. Explain all assumptions

D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

Methods and Techniques

- Ensure adequacy and relevancy of information in report [VT, VG, CBL]
- Demonstrate examples of reports containing information specifically required by clients, regulators, or applicable assignment conditions [VA, VT, VG, CBL]
- Ensure accuracy and consistency of information throughout report [VT, VG, CBL]
- Provide various report samples that contain both adequate and inadequate communication [VT, VA]
- Provide opportunities to review and correct errors in reports [VT, VA, VG, CBL]
- Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VA, VG, CBL]
- Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VA, VG, CBL]

XXII. Review Section XXI with Mentor

- A. Ensure understanding of effective appraisal report presentation and required content

- B. Ensure compliance with Standards Rule 2-2

MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

I. Problem Identification

A. Relevant Scope of Work and Competency Issues Involved [CBL, VG, VT, VA, VRT]

1. Develop exercises on how competency issues will be resolved.
2. Conduct a preliminary analysis to ensure an appropriate Scope of Work

Methods and Techniques

- Provide sample engagement letters for review and analysis [VT, VA, CBL]
- Provide samples of complex residential properties (e.g., ADUs, 2-4 unit group homes, student housing, short-term rentals, co-ops, leaseholds, etc.) [VT, VA, CBL]



- Perform required research using simulated data (e.g., public sources, proprietary databases) [VT, VA, VG, CBL]

II. Review Section I with Mentor

- Ensure understanding of how Issues uncovered during property Identification process relate to complexity. Also, focus on complex ownership Issues

III. Positive or Negative Locational Influences [CBL, VG, VT, VA, VRT]

- Recognize Population/Employment Trends
- Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

IV. Residential Market Analysis/Highest and Best Use [CBL, VRT, VG, VT]

- Market Analysis Issues Related to Highest and Best Use for Complex Properties
- Special Assessments

Methods and Techniques

- Provide exercises reviewing and analyzing various property and site characteristics that would be considered complex in nature, including current and proposed use; include consideration of the factors for determining highest and best use [CBL, VRT, VG, VT]
- Provide exercises reviewing data from public records, title records, CCR documents, etc., that describe current and planned special assessments for various property ownership types (one family, condominium, planned unit developments, Cooperative, etc.) to determine impact on market analysis [CBL, VRT, VG, VT]

V. Review Section III and IV with Mentor

- Ensure key analytical Issues related to market conditions and highest and best use are effectively addressed

VI. Physical Characteristics of Complex Properties [CBL, VG, VA, VRT]

- Unique Design Features
- High Quality/Amenity Properties
- Over-Improvements
- Physical Deficiencies of Improvements
- Functional Inadequate and Super Adequate Impact

VII. Vacant Sites (Including View Amenities, Surplus Land) [CBL, VG, VT, VA, VRT]

- Develop exercises that contain Issues covered under Site and Cost Approaches

Methods and Techniques

- Identify and analyze impact of complex property characteristics (e.g., atypical size, view, design, historical ranking) [VT, VA, VG]
- Exercises comparing and analyzing typical homes with outliers [VT, VG, CBL]
- Exercises identifying and understanding the influence of locational influences through observation and comparison [CBL, VG, VT, VA, VRT]

VIII. Use of Key Statistical Concepts [CBL, VG, VT, VA, VRT]

- Develop appropriate statistical tools to be used in development of opinion of value
- Explain and support their application

IX. Key Market Driving Influences [CBL, VT, VA, VRT]

- Determine most appropriate units of comparison (market drivers)

B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)*Methods and Techniques*

- Complete exploratory data analysis and generate representative sample data to identify different unit price indicators by requiring candidate to analyze several options and select the option with the most robust statistical results [VT, VG, CBL]
- Express several types of simulated data with the candidate building models which generate the most accurate and reliable results [VT, VG, CBL]
- Incorporate in all exploratory data analysis exercises utilizing relevant descriptive statistics (e.g., median, mean, mode, standard deviation, coefficient of variation) [VT, VG, CBL]

X. Review Sections VI thru IX with Mentor

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**
- B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value**

XI. Site Valuation and Cost Approaches**A. Site Valuation**

1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)

B. Develop a supportable Land/Site Valuation - using the following methods:

1. Allocation
2. Market extraction
3. Ground rent capitalization
4. Land residual method; and
5. Sales comparison

C. Construction Costs

1. Exercises related to high amenity structures
2. Discuss local cost influences

D. Functional Obsolescence

1. Distinguish between curable and incurable forms
2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

E. External Obsolescence

1. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

Methods and Techniques

- Develop multiple samples that use each of the basic site valuation techniques [VT, VA, VG, CBL]
- Develop multiple samples that use multiple techniques to estimate cost new [VT, VA, VG, CBL]
- Develop multiple examples to estimate functional obsolescence [VT, VA, VG, CBL]
- Develop an indicated value of a complex property using the cost approach [VT, CBL]

XII. Review Section XI with Mentor

- A. Ensure the Cost Approach has been performed properly.**

XIII. Sales Comparison Approach**A. Sales Concessions**

1. Is the subject property subject to sales concessions?
2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
3. Cash equivalency related to financing terms



B. Identifying and Applying Atypical Adjustments – develop support related to the following:

1. High amenity custom quality adjustments
2. Site adjustments
3. Adjustment support/matched pairs, statistical methods
4. Adjustment support for unique one-off property sales including those with Accessory Dwelling Units

Methods and Techniques

- Develop multiple exercises requiring identification and determination of impact of sales concessions (e.g., assumption of closing costs, payments made outside of transaction) [VT, VA, VG, CBL]
- Develop multiple exercises using statistical techniques (e.g., paired sales analysis, regression analysis) to analyze simulated data and estimate adjustments [VT, VA, VG, CBL]

XIV. Review Section XIII with Mentor

- A. Ensure the sales comparison approach has been performed properly.**

XV. Income Approach

A. 1-4 Unit Appraisals

1. Perform collection of comparable rent data
2. Complex rental adjustments
 - a. Understand and apply impact of complex amenities
 - b. Factor for Expense allocations between comparable transactions

B. Unique multi-unit assignments – discuss the following:

1. Location premiums within PUD/condo
2. Impact of rent control or subsidies
3. Student housing
4. Seasonal and short-term rentals

C. GRM analysis

1. Non-market rent impact on GRM
2. Perform reconciliation of GRM indicators

Methods and Techniques

- Provide exercises extracting expense information via market participant interviews (e.g., agents/brokers, property managers, prior property information) [VT, VG, CBL]
- Provide exercises identifying and analyzing unique property characteristics (e.g., view, physical characteristics, parking limitations, floor location) [VT, VG, CBL]
- Provide exercises identifying and analyzing non-market rent on GRM [VT, VG, CBL]

XVI. Review Section XV with Mentor

- A. Review the Income approach to value and ensure proper analysis and support for conclusions**

XVII. Writing and Reasoning Skills

A. Data Presentation

1. Develop presentation of data in tables, charts, and graphs as appropriate
2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
3. Underscore proper and understandable use of English
 - b. Have another proofread whenever possible

B. Discussion of Approaches to Value

1. Adjust depth of discussion to the intended user(s)

C. Support for Conclusions

1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation

D. Summary of Data and Reconciliation of Value Approaches

1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

Methods and Techniques

- *Ensure accuracy and consistency of information throughout report [VT, VG, CBL]*
- *Provide various report samples that contain both adequate and inadequate communication [VT, VA]*
- *Provide opportunities to review and correct errors in reports [VT, VG, CBL]*
- *Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VG, CBL]*
- *Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VG, CBL]*

XVIII. Review Section XVII with Mentor

- A. Ensure understanding of effective appraisal report presentation and required content
- B. Ensure compliance with Standards Rule 2-2

APPRAISER QUALIFICATIONS BOARD

2026 APPRAISER QUALIFICATIONS BOARD MEMBERS

JERRY YUREK, CHAIR
VALERIE SCOTT, VICE CHAIR
SANDY ADOMATIS

WILLIAM FALL
JOHN HERDERING
MIRIAM LOPEZ

JULIE MOLENDORP FLOYD
KAREN OBERMAN
RODMAN SCHLEY

1989 Board Members

James W. Klopfenstein, Chair
Miles M. Etter, Vice Chair
Raymond A. Leshner
James H. Pritchett
Otis L. Thorpe

1990 Board Members

James W. Klopfenstein, Chair
Miles M. Etter, Vice Chair
Raymond A. Leshner
James H. Pritchett
Otis L. Thorpe

1991 Board Members

James W. Klopfenstein, Chair
Miles M. Etter, Vice Chair
John C. Crissey, Jr.
Bernie I. Garcia
George F. Silver

1992 Board Members

James W. Klopfenstein, Chair
Miles M. Etter, Vice Chair
John C. Crissey, Jr.
Bernie I. Garcia
George F. Silver

1993 Board Members

James W. Klopfenstein, Chair
Miles M. Etter, Vice Chair
John C. Crissey, Jr.
Anthony Reynolds
George F. Silver

1994 Board Members

James W. Klopfenstein, Chair
Anthony Reynolds, Vice Chair
Miles M. Etter
Stephen G. Williams
Gregory Gilbert

1995 Board Members

Anthony Reynolds, Chair
Stephen G. Williams, Vice Chair
Gregory Gilbert
James W. Klopfenstein
Scott R. Williams

1996 Board Members

Anthony Reynolds, Chair
Stephen G. Williams, Vice Chair
Gregory Gilbert
Scott R. Williams
James W. Klopfenstein

1997 Board Members

Stephen G. Williams, Chair
Scott R. Williams, Vice Chair
James W. Klopfenstein
Arlen C. Mills
Anthony Reynolds

1998 Board Members

Scott R. Williams, Chair
Arlen C. Mills, Vice Chair
Charles Moore
Anthony Reynolds
Stephen G. Williams

1999 Board Members

Scott R. Williams, Chair
Arlen C. Mills, Vice Chair
Jack P. Friedman
Charles Moore
Stephen G. Williams

2000 Board Members

Arlen C. Mills, Chair
Scott R. Williams, Vice Chair
Jack P. Friedman
Charles Moore
Edward Morse

2001 Board Members

Arlen C. Mills, Chair
Edward Morse, Vice Chair
Jack P. Friedman
Chris Greenwalt
Bruce Wiley

2002 Board Members

Edward Morse, Chair
Bruce Wiley, Vice Chair
Chris Greenwalt
Sandra Guilfoil
Arlen Mills

2003 Board Members

Edward Morse, Chair
Bruce Wiley, Vice Chair
Chris Greenwalt
Sandra Guilfoil
Donald Moliver

2004 Board Members

Edward Morse, Chair
Sandra Guilfoil, Vice Chair
Chris Greenwalt
Donald Moliver
Charles S. "Scott" Seely

2005 Board Members

Sandra Guilfoil, Chair
Chris Greenwalt
Donald Moliver
Edward Morse
Charles S. "Scott" Seely

2006 Board Members

Sandra Guilfoil, Chair
Gary P. Taylor, Vice Chair
Rick Baumgardner
Chris Greenwalt
Karen Oberman
Larry Ofner
Charles S. "Scott" Seely

2007 Board Members

Sandra Guilfoil, Chair
 Gary P. Taylor, Vice Chair
 Rick Baumgardner
 Terry Bernhardt
 J. Andrew Hansz
 Charles S. "Scott" Seely

2008 Board Members

Gary P. Taylor, Chair
 Charles S. "Scott" Seely, Vice Chair
 Rick Baumgardner
 Chad Campbell
 Jeffery F. Lagrew
 Wayne R. Miller

2009 Board Members

Gary P. Taylor, Chair
 Charles S. "Scott" Seely, Vice Chair
 Rick Baumgardner
 Chad Campbell
 Jeffery F. Lagrew
 Wayne R. Miller

2010 Board Members

Gary P. Taylor, Chair
 Rick Baumgardner, Vice Chair
 Chad Campbell
 Jeffery F. Lagrew
 Wayne R. Miller
 Charles S. "Scott" Seely

2011 Board Members

Rick Baumgardner, Chair
 Wayne R. Miller, Vice Chair
 Chad Campbell
 Jon "Ted" Freeman
 Jeffery F. Lagrew
 Charles S. "Scott" Seely

2012 Board Members

Rick Baumgardner, Chair
 Wayne R. Miller, Vice Chair
 Chad Campbell
 Jon "Ted" Freeman
 Jeffrey F. Lagrew

2013 Board Members

Wayne R. Miller, Chair
 Gary P. Taylor, Vice Chair
 Chad Campbell
 Jon "Ted" Freeman
 Jeffrey F. Lagrew

2014 Board Members

Wayne R. Miller, Chair
 Gary P. Taylor, Vice Chair
 Chad Campbell
 Jeffery F. Lagrew
 Mark A. Lewis
 Joseph C. Traynor

2015 Board Members

Wayne R. Miller, Chair
 Joseph C. Traynor, Vice Chair
 Chad Campbell
 Greg Harding
 Jeffrey F. Lagrew
 Mark A. Lewis
 Andrew Parsley
 Gary P. Taylor

2016 Board Members

Joseph C. Traynor, Chair
 Mark A. Lewis, Vice Chair
 Greg Harding
 Andrew Parsley
 John F. Ryan

2017 Board Members

Joseph C. Traynor, Chair
 Mark A. Lewis, Vice Chair
 Adam Alessi
 Greg Harding
 Katherine Kelton
 Andrew Parsley
 John F. Ryan

2018 Board Members

Mark A. Lewis, Chair
 Greg Harding, Vice Chair
 Larry Disney
 Katherine Kelton
 John F. Ryan
 Brad Swinney
 Shawn Telford
 Joseph C. Traynor

2019 Board Members

Mark A. Lewis, Chair
 Greg Harding, Vice Chair
 Larry Disney
 John F. Ryan
 Brad Swinney
 Shawn Telford
 Joseph C. Traynor

2020 Board Members

Mark A. Lewis, Chair
 John F. Ryan, Vice Chair
 William Fall
 Greg Harding
 Brad Swinney
 Shawn Telford
 Jerry Yurek

**2021 Board Members**

Mark A. Lewis, Chair
 John F. Ryan, Vice Chair
 William Fall
 Greg Harding
 Byron Miller
 Brad Swinney
 Shawn L. Telford
 Jerry Yurek

2022 Board Members

Brad Swinney, Chair
 Jerry Yurek, Vice Chair
 William Fall
 Byron Miller
 Karen Oberman
 John F. Ryan
 Valerie Scott
 Shawn L. Telford
 Donna Vandervries

2023 Board Members

Brad Swinney, Chair
 Jerry Yurek, Vice Chair
 William Fall
 Byron Miller
 Karen Oberman
 John F. Ryan
 Valerie Scott
 Shawn L. Telford
 Donna Vandervries

2024 Board Members

Brad Swinney, Chair
 Jerry Yurek, Vice Chair
 William Fall
 Julie Molendorp Floyd
 Miriam Lopez
 Byron Miller
 Karen Oberman
 Valerie Scott
 Shawn L. Telford

2025 Board Members

Jerry Yurek, Chair
 Valerie Scott, Vice Chair
 William Fall
 Julie Molendorp Floyd
 Miriam Lopez
 Byron Miller
 Karen Oberman
 Shawn L. Telford

2026 Board Members

Jerry Yurek, Chair
 Valerie Scott, Vice Chair
 Sandy Adomatis
 William Fall
 John Herdering
 Miriam Lopez
 Julie Molendorp Floyd
 Karen Oberman
 Rodman Schley

This page is intentionally left blank.



THE APPRAISAL FOUNDATION
1155 15th Street NW, Suite 1111
Washington, DC 20005

tel 202 347 7722

www.appraisalfoundation.org

CONNECT WITH US ON



Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

Appraisal Subcommittee
Federal Financial Institutions Examination Council

**POLICY
STATEMENTS**
(Revised – March 2018)



Requirements and Guidance to
State Appraiser Certifying and Licensing Agencies
For Compliance with Title XI

Contents

<i>Introduction and Purpose.....</i>	<i>v</i>
<i>PART A: APPRAISER PROGRAM.....</i>	<i>1</i>
<i>POLICY STATEMENT 1</i>	<i>1</i>
<i>Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs</i>	<i>1</i>
<i>A. State Regulatory Structure.....</i>	<i>1</i>
<i>B. Funding and Staffing</i>	<i>1</i>
<i>C. Minimum Criteria</i>	<i>2</i>
<i>D. Federally Recognized Appraiser Classifications</i>	<i>2</i>
<i>E. Non-federally Recognized Credentials</i>	<i>3</i>
<i>F. Appraisal Standards</i>	<i>3</i>
<i>G. Exemptions</i>	<i>4</i>
<i>H. ASC Staff Attendance at State Board Meetings.....</i>	<i>5</i>
<i>I. Summary of Requirements</i>	<i>5</i>
<i>POLICY STATEMENT 2</i>	<i>7</i>
<i>Temporary Practice.....</i>	<i>7</i>
<i>A. Requirement for Temporary Practice.....</i>	<i>7</i>
<i>B. Excessive Fees or Burdensome Requirements.....</i>	<i>7</i>
<i>C. Summary of Requirements</i>	<i>9</i>
<i>POLICY STATEMENT 3</i>	<i>10</i>
<i>National Registry of Appraisers (Appraiser Registry)</i>	<i>10</i>
<i>A. Requirements for the Appraiser Registry.....</i>	<i>10</i>
<i>B. Registry Fee and Invoicing Policies.....</i>	<i>11</i>
<i>C. Access to Appraiser Registry Data.....</i>	<i>12</i>
<i>D. Information Sharing.....</i>	<i>12</i>
<i>E. Summary of Requirements</i>	<i>13</i>
<i>POLICY STATEMENT 4</i>	<i>15</i>
<i>Application Process.....</i>	<i>15</i>
<i>A. Processing of Applications.....</i>	<i>15</i>
<i>B. Qualifying Education for Initial or Upgrade Applications.....</i>	<i>16</i>
<i>C. Continuing Education for Reinstatement and Renewal Applications</i>	<i>16</i>
<i>D. Experience for Initial or Upgrade Applications</i>	<i>19</i>
<i>E. Examination</i>	<i>20</i>
<i>F. Summary of Requirements</i>	<i>21</i>

POLICY STATEMENT 5	24
Reciprocity.....	24
A. Reciprocity Policy	24
B. Application of Reciprocity Policy	25
C. Appraiser Compliance Requirements.....	26
D. Well-Documented Application Files.....	26
E. Summary of Requirements	26
POLICY STATEMENT 6	28
Education	28
A. Course Approval.....	28
B. Distance Education	28
C. Summary of Requirements	29
POLICY STATEMENT 7	30
State Agency Enforcement.....	30
A. State Agency Regulatory Program.....	30
B. Enforcement Process	30
C. Summary of Requirements	33
PART B: AMC PROGRAM	35
POLICY STATEMENT 8	35
Statutes, Regulations, Policies and Procedures Governing State AMC Programs.....	35
A. Participating States and ASC Oversight	35
B. Relation to State Law.....	35
C. Funding and Staffing	36
D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule.....	36
E. Summary of Requirements	39
POLICY STATEMENT 9	41
National Registry of AMCs (AMC Registry)	41
A. Requirements for the AMC Registry.....	41
B. Registry Fee and Invoicing Policies.....	41
C. Reporting Requirements	42
D. Access to AMC Registry Data	42
E. Summary of Requirements	43
POLICY STATEMENT 10.....	44
State Agency Enforcement.....	44

<i>A. State Agency Regulatory Program.....</i>	<i>44</i>
<i>B. Enforcement Process</i>	<i>44</i>
<i>C. Summary of Requirements</i>	<i>46</i>
<i>POLICY STATEMENT 11.....</i>	<i>48</i>
<i>Statutory Implementation Period</i>	<i>48</i>
<i>PART C: INTERIM SANCTIONS.....</i>	<i>49</i>
<i>POLICY STATEMENT 12.....</i>	<i>49</i>
<i>Interim Sanctions</i>	<i>49</i>
<i>A. Authority</i>	<i>49</i>
<i>B. Opportunity to be Heard or Correct Conditions.....</i>	<i>49</i>
<i>C. Procedures</i>	<i>50</i>
<i>APPENDICES.....</i>	<i>54</i>
<i>Appendix A – Compliance Review Process</i>	<i>54</i>
<i>Appendix B – Glossary of Terms.....</i>	<i>57</i>

Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).¹ The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States² for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.³ Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)⁴ expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies⁵ (AMCs).⁶

The ASC performs periodic Compliance Reviews⁷ of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC

¹ The ASC Board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

² See Appendix B, Glossary of Terms, for the definition of "State."

³ See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

⁴ Pub. L. 111-203, 124 Stat. 1376.

⁵ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

⁶ See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

⁷ See Appendix A, Compliance Review Process.

regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule.⁸

The ASC is issuing these revised Policy Statements⁹ in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

- Part A, *Appraiser Program* – Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the Appraiser Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the Appraiser Program*.
- Part B, *AMC Program* – Policy Statements 8 through 10 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the AMC Program*.
- Part C, *Interim Sanctions* – Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC for non-compliance in either the Appraiser Program or the AMC Program.

⁸ The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. (Title XI § 1124 (a), 12 U.S.C. 3353(a)). Those rules were finalized and published on June 9, 2015, at 80 *Federal Register* 32658 with an effective date of August 10, 2015. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.)

⁹ These Policy Statements, adopted February 14, 2018, supersede all previous Policy Statements adopted by the ASC.

PART A: APPRAISER PROGRAM

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

A. State Regulatory Structure

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.¹⁰ The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board¹¹ or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

B. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its Appraiser Program with funding and

¹⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹ See Appendix B, *Glossary of Terms*, for the definition of "State board."

staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an Appraiser Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

C. Minimum Criteria

Title XI requires States to adopt and/or implement all relevant AQB Criteria. Requirements established by a State for certified residential or certified general appraisers, as well as requirements established for licensed appraisers, trainee appraisers and supervisory appraisers must meet or exceed applicable AQB Criteria.

D. Federally Recognized Appraiser Classifications

State Certified Appraisers

"State certified appraisers" means those individuals who have satisfied the requirements for residential or general certification in a State whose criteria for certification meet or exceed the applicable minimum AQB Criteria. Permitted scope of practice and designation for State certified residential or certified general appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

State Licensed Appraisers

"State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. The permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Trainee Appraisers

"Trainee appraisers" means those individuals who have satisfied the requirements for credentialing in a State whose criteria for credentialing meet or

exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” or “supervisory appraiser” must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as “registered appraiser,” “apprentice appraiser,” “provisional appraiser,” or any other similar designation to determine if, in substance, such designation is consistent with a “trainee appraiser” designation and, therefore, administered to comply with Title XI. The permitted scope of practice and designation for trainee appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Any State or Federal agency may impose additional appraiser qualification requirements for trainee, State licensed, certified residential or certified general classifications, if they consider such requirements necessary to carry out their responsibilities under Federal and/or State statutes and regulations, so long as the additional qualification requirements do not preclude compliance with AQB Criteria.

E. Non-federally Recognized Credentials

States using non-federally recognized credentials or designations¹² must ensure that they are easily distinguished from the federally recognized credentials.

F. Appraisal Standards

Title XI and the Federal financial institutions regulatory agencies’ regulations mandate that all appraisals performed in connection with federally related transactions be in written form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with

¹² See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

USPAP.¹³ States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

Any State or Federal agency may impose additional appraisal standards if they consider such standards necessary to carry out their responsibilities, so long as additional appraisal standards do not preclude compliance with USPAP or the Federal financial institutions regulatory agencies' appraisal regulations for work performed for federally related transactions.

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a State certified or licensed appraiser. These regulations define "appraisal" as a "written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s) supported by the presentation and analysis of relevant market information." Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal. Under these same regulations, an appraisal review that does not include the reviewer providing his or her own opinion of value does not constitute an appraisal. Therefore, under the Federal financial institutions regulatory agencies' regulations, only those transactions that involve appraisals for federally related transactions require the services of a State certified or licensed appraiser.

G. Exemptions

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.¹⁴ A State may not exempt any

¹³ See Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

¹⁴ Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

individual or group of individuals from meeting the State’s certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

H. ASC Staff Attendance at State Board Meetings

The efficacy of the ASC’s Compliance Review process rests on the ASC’s ability to obtain reliable information about all areas of a State’s Appraiser Program. ASC staff regularly attends open State board meetings as part of the on-site Compliance Review process. States are expected to make available for review by ASC staff minutes of closed meetings and executive sessions. States are encouraged to allow ASC staff to attend closed and executive sessions of State board meetings where such attendance would not violate State law or regulation or be inconsistent with other legal obligations of the State board. ASC staff is obligated to protect information obtained during the Compliance Review process concerning the privacy of individuals and any confidential matters.

I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.¹⁵
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹⁶
3. States must have policies, practices and procedures consistent with Title XI.¹⁷

¹⁵ Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

¹⁶ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

¹⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

4. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹⁸
5. States must use proper designations and permitted scope of practice for certified residential; certified general; licensed; and trainee classifications.¹⁹
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.²⁰
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.²¹
8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.
9. State agencies must be granted adequate authority by the State to maintain an effective regulatory Appraiser Program in compliance with Title XI.²²

¹⁸ *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

¹⁹ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

²⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

²¹ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

²² Title XI § 1118 (b), 12 U.S.C. § 3347.

POLICY STATEMENT 2

Temporary Practice

A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment²³ for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and does not impose “excessive fees or burdensome requirements,” as determined by the ASC.²⁴ Thus, a credentialed appraiser²⁵ from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry of Appraisers to verify credential status on applicants for temporary practice.

B. Excessive Fees or Burdensome Requirements

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.²⁶ Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

²³ See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

²⁴ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

²⁵ See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

²⁶ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

Host State agencies must:

- a. issue temporary practice permits on an assignment basis;
- b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
- c. issue temporary practice permits designating the permit's effective date;
- d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;
- e. notify the appraiser's home State agency²⁷ in the case of disciplinary action concerning a temporary practitioner;
- f. allow at least one temporary practice permit extension through a streamlined process;
- g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and
- h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

Host State agencies may not:

- a. limit the valid time period of a temporary practice permit to less than 6 months (unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant's credential is no longer in active status during that period of time);
- b. limit an appraiser to one temporary practice permit per calendar year;²⁸
- c. charge a temporary practice permit fee exceeding \$250, including one

²⁷ See Appendix B, Glossary of Terms, for the definition of "home State agency."

²⁸ State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser's temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

- extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;
- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

Home State agencies may not:

- a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
- b. fail to consider and, if appropriate, take disciplinary action when one of its certified or licensed appraisers is disciplined by another State.

C. Summary of Requirements

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.²⁹
2. States must adhere to mandates, prohibitions and documentation requirements as set forth above in Section B above, titled *Excessive Fees or Burdensome Requirements*.³⁰

²⁹ Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

³⁰ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

POLICY STATEMENT 3

National Registry of Appraisers (Appraiser Registry)

A. Requirements for the Appraiser Registry

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions.³¹ Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC³² from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

Roster and registry fee requirements apply to all individuals who receive State certifications or licenses, originally or by reciprocity, whether or not the individuals are, in fact, performing or planning to perform appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers, and a registry fee is due from each State in which the appraiser is certified or licensed.

Only AQB-compliant certified and licensed appraisers in active status on the Appraiser Registry are eligible to perform appraisals in connection with federally related transactions. Only those appraisers whose registry fees have been transmitted to the ASC will be eligible to be on the Appraiser Registry for the period subsequent to payment of the fee.

Some States may give State certified or licensed appraisers an option to not pay the registry

³¹ Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

³² Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the Appraiser Program must ensure that any potential user of that appraiser's services is aware that the appraiser is not eligible to perform appraisals for federally related transactions. The Appraiser Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the Appraiser Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the Appraiser Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's Appraiser Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the Appraiser Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the Appraiser Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the Appraiser Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's registry fee may result in the status of that appraiser being listed as "inactive." States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date). When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the Appraiser Registry, for

whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

C. Access to Appraiser Registry Data

The ASC website provides free access to the public portion of the Appraiser Registry at www.asc.gov. The public portion of the Appraiser Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

D. Information Sharing

Information sharing (routine exchange of certain information among lenders, governmental entities, State agencies and the ASC) is essential for carrying out the purposes of Title XI. Title XI requires the ASC, any other Federal agency or instrumentality, or any federally recognized entity to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser regulation. States are encouraged to develop and maintain procedures for sharing of information among themselves.

The Appraiser Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are necessary to maintain an up-to-date Appraiser Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

States must report all disciplinary action³³ taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁴ States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁵ For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.³⁶

Title XI also contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date).³⁷
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁸
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁹
4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to

³³ See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

³⁴ *Id.*

³⁵ Title XI § 1118 (a), 12 U.S.C. § 3347.

³⁶ *Id.*

³⁷ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

³⁸ *Id.*

³⁹ Title XI § 1118 (a), 12 U.S.C. § 3347.

practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.⁴⁰

5. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.⁴¹
6. States must ensure that the authorization information provided to the ASC is updated and accurate.⁴²
7. States must adopt and implement a written policy to protect the right of access to the Appraiser Registry, as well as the ASC issued User Name and Password.⁴³
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.⁴⁴
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.⁴⁵
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.⁴⁶

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

POLICY STATEMENT 4

Application Process

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers (certified, licensed, trainee and supervisory). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.⁴⁷ Effective January 1, 2017, AQB Criteria also requires States to assess whether an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.

A. Processing of Applications

States must process applications in a consistent, equitable and well-documented manner. Applications for credentialing should be timely processed by State agencies (within 90 calendar days after receipt of a completed application). Any delay in the processing of applications must be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade and renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

Documentation must include:

1. Application receipt date;
2. Education;

⁴⁷ Includes applications for credentialing of trainee, licensed, certified residential or certified general classifications.

3. Experience;
4. Examination;
5. Continuing education; and
6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

- (1) the applicant's claimed education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.⁴⁸ States must maintain adequate documentation to support verification of education claimed by applicants.

C. Continuing Education for Reinstatement and Renewal Applications

1. Reinstatement Applications

States must verify that:

- (1) the applicant's claimed continuing education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

⁴⁸ If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials.

States may not accept an affidavit for continuing education claimed from applicants for reinstatement. Applicants for reinstatement must submit documentation to support claimed continuing education and States must maintain adequate documentation to support verification of claimed education.

2. Renewal Applications

States must ensure that continuing education courses for renewal of an appraiser credential are consistent with AQB Criteria and that continuing education hours required for renewal of an appraiser credential were completed consistent with AQB Criteria. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure that adheres to the following objectives and requirements:

a. Validation objectives

The State's validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

b. Minimum Standards

- 1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.

- 2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.
- 3) States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
- 4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
- 5) If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.
- 6) If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action⁴⁹ to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.
- 7) In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the

⁴⁹ For example:

- (1) a State may conduct an additional audit using a higher percentage of audited appraisers; or
- (2) a State may publicly post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).

c. Documentation

States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

d. List of Education Courses

To promote accountability, the ASC encourages States accepting affidavits for continuing education credit claimed for credential renewal to require that the appraiser provide a list of courses to support the affidavit.

D. Experience for Initial or Upgrade Applications

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.⁵⁰

1. Validation Required

States must implement a reliable validation procedure to verify that each applicant's experience meets AQB Criteria, including but not limited to, being USPAP compliant and containing the required number of hours and months.

2. Validation Procedures, Objectives and Requirements

a. Experience Hours Validation

States must determine the hours and time period claimed on the experience log are accurate. Appraiser Program staff or State board members must select

⁵⁰ See Policy Statement 1D and E for discussion of "federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

the work product to validate the experience hours claimed; applicants may not have any role in this selection process.

b. USPAP Compliance

States must analyze a representative sample of the applicant's work product for compliance with USPAP. For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.

c. Determination of Experience Time Periods

Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.

d. Supporting Documentation

States must maintain adequate documentation to support validation methods. The applicant's file, either electronic or paper, must include the information necessary to identify each appraisal assignment selected to validate the experience hours claimed and each appraisal assignment analyzed by the State for USPAP compliance, notes, letters and/or reports prepared by the official(s) evaluating the report for USPAP compliance, and any correspondence exchanged with the applicant regarding the appraisals submitted. This supporting documentation may be discarded upon the completion of the first ASC Compliance Review performed after the credential issuance or denial for that applicant.

E. Examination

States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized appraiser classifications requiring an examination.

F. Summary of Requirements

Processing of Applications

1. States must process applications in a consistent, equitable and well-documented manner.⁵¹
2. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.⁵²
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁵³

Education

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁴
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁵
3. States must maintain adequate documentation to support verification.⁵⁶
4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.⁵⁷
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.⁵⁸
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.⁵⁹
7. Audits of affidavits for continuing education credit claimed must be completed

⁵¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁵³ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).⁶⁰

8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).⁶¹
9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.⁶²
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.⁶³
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.⁶⁴

Experience

1. States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.⁶⁵
2. States must ensure that appraiser experience logs conform to AQB Criteria.⁶⁶
3. States must use a reliable means of validating appraiser experience claims on all

⁶⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

initial or upgrade applications for appraiser credentialing.⁶⁷

4. States must select the work product to validate the experience hours claimed on all initial or upgrade applications for appraiser credentialing.⁶⁸
5. States must analyze a representative sample of the applicant's work product for compliance with USPAP on all initial or upgrade applications for appraiser credentialing.⁶⁹
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.⁷⁰
7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁷¹
8. Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.⁷²

Examination

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.⁷³

⁶⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁷³ *Id.*

POLICY STATEMENT 5

Reciprocity

A. Reciprocity Policy

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. The ASC monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.⁷⁴ Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND
(ii) the credentialing requirements of the Home State⁷⁵ meet or exceed those of the reciprocal credentialing State (Reciprocal State).⁷⁶

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy. However, States cannot impose additional impediments to obtaining reciprocal credentials.

For purposes of implementing the reciprocity policy, States with an ASC Finding⁷⁷ of "Poor" do not satisfy the "in compliance" provision for reciprocity. Therefore, States are not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of "Poor."

⁷⁴ Title XI § 1122 (b), 12 U.S.C. § 3351.

⁷⁵ As they exist at the time of application for reciprocal credential.

⁷⁶ *Id.*

⁷⁷ See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

B. Application of Reciprocity Policy

The following examples illustrate application of reciprocity in a manner that complies with Title XI. The examples refer to the reciprocity policy requiring issuance of a reciprocal credential IF:

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND
- (ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

Example 1. Additional Requirements Imposed on Applicants

State A requires that prior to issuing a reciprocal credential the applicant must certify that disciplinary proceedings are not pending against that applicant in any jurisdiction. Under b (ii) above, if this requirement is not imposed on all of its own applicants for credentialing, STATE A cannot impose this requirement on applicants for reciprocal credentialing.

Example 2. Credentialing Requirements

An appraiser is seeking a reciprocal credential in STATE A. The appraiser holds a valid credential in STATE Z, even though it was issued in 2007. This satisfies b (i) above. However, in order to satisfy b (ii), STATE A would evaluate STATE Z's credentialing requirements as they currently exist to determine whether they meet or exceed STATE A's current requirements for credentialing.

Example 3. Multiple State Credentials

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a "letter of good standing" from the State of original credentialing as a

condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

C. Appraiser Compliance Requirements

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.⁷⁸

D. Well-Documented Application Files

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

E. Summary of Requirements

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State's appraisers to be eligible to perform appraisals for federally related transactions.⁷⁹
2. States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.⁸⁰

⁷⁸ A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however, a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

⁷⁹ Title XI § 1122 (b), 12 U.S.C. § 3351.

⁸⁰ *Id.*

3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁸¹

⁸¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

POLICY STATEMENT 6

Education

AQB Criteria sets forth minimum requirements for appraiser education courses. This Policy Statement addresses proper administration of education requirements for compliance with AQB Criteria. (For requirements concerning qualifying and continuing education in the application process, see Policy Statement 4, *Application Process*.)

A. Course Approval

States must ensure that approved appraiser education courses are consistent with AQB Criteria and maintain sufficient documentation to support that approved appraiser education courses conform to AQB Criteria.

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery. States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.

States should ensure that educational providers are afforded equal treatment in all respects.⁸²

States are encouraged to accept courses approved by the AQB's Course Approval Program.

B. Distance Education

States must ensure that distance education courses meet AQB Criteria and that the

⁸² For example:

(1) consent agreements requiring additional education should not specify a particular course provider when there are other providers on the State's approved course listing offering the same course; and

(2) courses from professional organizations should not be automatically approved and/or approved in a manner that is less burdensome than the State's normal approval process.

delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.

States may not continue to accept courses after the AQB-approved organization's approval of course design and delivery date has expired.

C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.⁸³
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.⁸⁴
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.⁸⁵

⁸³ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁸⁴ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁸⁵ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 7

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.⁸⁶

B. Enforcement Process

States must ensure that the system for processing and investigating complaints⁸⁷ and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

1. Timely Enforcement

States must process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure effective supervision of appraisers, and when appropriate, that incompetent or unethical appraisers are not allowed to continue their appraisal practice. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date.⁸⁸ Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and

⁸⁶ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁸⁷ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

⁸⁸ The one-year period for resolution of complaints is not intended to have the impact of a statute of limitation or statute of repose.

complex cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate allegations of appraiser misconduct or wrongdoing, and if allegations are proven, take appropriate disciplinary or remedial action. Dismissal of an alleged violation solely due to an “absence of harm to the public” is inconsistent with Title XI. Financial loss or the lack thereof is not an element in determining whether there is a violation. The extent of such loss, however, may be a factor in determining the appropriate level of discipline.

Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP and States must be able to document how such persons are so qualified.

States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.

Closure of a complaint based solely on a State's statute of limitations that results in dismissal of a complaint without the investigation of the merits of the complaint is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.⁸⁹

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases

⁸⁹ Title XI § 1117, 12 U.S.C. § 3346.

within a State should result in similar dispositions.

4. Well-Documented Enforcement

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- demonstrate that appraisal reports are analyzed and any USPAP violations are identified and considered, whether or not they were the subject of the complaint;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings.

The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁹⁰
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.⁹¹
3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.⁹²
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a

⁹⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁹¹ *Id.*

⁹² *Id.*

complaint log.⁹³

5. States must appropriately document enforcement files and include rationale.⁹⁴
6. States must regulate, supervise and discipline their credentialed appraisers.⁹⁵
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁹⁶

⁹³ *Id.*

⁹⁴ *Id.*

⁹⁵ *Id.*

⁹⁶ *Id.*

PART B: AMC PROGRAM

POLICY STATEMENT 8

Statutes, Regulations, Policies and Procedures Governing State AMC Programs

A. Participating States and ASC Oversight

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.⁹⁷ Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after a State elects to register and supervise AMCs pursuant to the AMC Rule. Formal ASC oversight will consist of evaluating AMC Programs in participating States during the Compliance Review process to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. Upon expiration of the statutory implementation period (see Policy Statement 11, *Statutory Implementation Period*), Compliance Reviews will include ASC oversight of AMC Programs for any participating State.

B. Relation to State Law

Participating States may establish requirements in addition to those in the AMC Rule.

Participating States may also have a more expansive definition of AMCs.⁹⁸ However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby

⁹⁷ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

⁹⁸ Title XI as amended by the Dodd-Frank Act defines “appraisal management company” to mean, in part, an external third party that oversees a network or panel of more than 15 appraisers (State certified or licensed) in a State, or 25 or more appraisers nationally (two or more States) within a given year. (12 U.S.C.

encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

C. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule

1. AMC Registration and Supervision

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC Rule for compliance requirements⁹⁹ as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

(a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:

3350(11)). Title XI as amended by the Dodd-Frank Act also allows States to adopt requirements in addition to those in the AMC Rule. (12 U.S.C. 3353(b)). For example, States may decide to supervise entities that provide appraisal management services, but do not meet the size thresholds of the Title XI definition of AMC. If a State has a more expansive regulatory framework that covers entities that provide appraisal management services but do not meet the Title XI definition of AMC, the State should only submit information regarding AMCs meeting the Title XI definition to the AMC Registry.

⁹⁹ See footnote 97.

(1) Review and approve or deny AMC initial registration applications and/or renewals for registration;

(2) Examine records of AMCs and require AMCs to submit information;

(3) Verify that appraisers on AMCs' panels hold valid State credentials;

(4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;

(5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and

(6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs¹⁰⁰ to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise,

¹⁰⁰ "Federally regulated AMCs," meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

2. Ownership Limitations for State-registered AMCs

A. Appraiser certification or licensing of Owners

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause,¹⁰¹ as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. States must document to the file the State's method of review and the result.

B. Good Moral Character of Owners

An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

- (1) Is determined by the State not to have good moral character; or
- (2) Fails to submit to a background investigation carried out by the State.

¹⁰¹ An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. The ASC would expect written documentation of the State's method of review and the result.

3. Requirements for Federally Regulated AMCs

Participating States are not required to identify Federally regulated AMCs¹⁰² operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

A Federally regulated AMC shall not be included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

E. Summary of Requirements

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.¹⁰³
2. Participating States must impose requirements on AMCs consistent with the AMC Rule.¹⁰⁴
3. Participating States must enforce and document ownership limitations for State-registered AMCs.¹⁰⁵
4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive

¹⁰² See footnote 97.

¹⁰³ 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

definition of AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.¹⁰⁶

5. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹⁰⁷

¹⁰⁶ Title XI § 1118 (b), 12 U.S.C. § 3347.

¹⁰⁷ *Id.*

POLICY STATEMENT 9

National Registry of AMCs (AMC Registry)

A. Requirements for the AMC Registry

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.¹⁰⁸ Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC¹⁰⁹ from AMCs that are either registered with a participating State or are Federally regulated AMCs.¹¹⁰

As with appraiser registry fees, Title XI, § 1109(a)(4)(b) requires the AMC registry fee to be collected by each participating State and transmitted to the ASC. Therefore, as with appraisers, an AMC will pay a registry fee in each participating State in which the AMC operates. As with appraisers, an AMC operating in multiple participating States will pay a registry fee in multiple States in order to be on the AMC Registry for each State.

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State. The ASC extranet application allows States to update their AMC information directly to the AMC Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-years, the State may choose

¹⁰⁸ Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

¹⁰⁹ Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

¹¹⁰ Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.

to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

C. Reporting Requirements

State agencies must report all disciplinary action¹¹¹ taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC’s policies regarding the determination of the AMC registry fee.

D. Access to AMC Registry Data

The ASC website provides free access to the public portion of the AMC Registry at www.asc.gov. The public portion of the AMC Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password.

¹¹¹ See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).¹¹²
2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.¹¹³
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.¹¹⁴
4. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMC's ability to provide appraisal management services), the AMC's status must be changed on the AMC Registry to "inactive."¹¹⁵
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.¹¹⁶
7. States must adopt and implement a written policy to protect the right of access to the AMC Registry, as well as the ASC issued User Name and Password.¹¹⁷
8. States must ensure the accuracy of all data submitted to the AMC Registry.¹¹⁸

¹¹² Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

¹¹³ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

POLICY STATEMENT 10

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.¹¹⁹

B. Enforcement Process

States must ensure that the system for processing and investigating complaints¹²⁰ and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented¹²¹ manner.

1. Timely Enforcement

States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review

¹¹⁹ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²⁰ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

¹²¹ See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

4. Well-Documented Enforcement

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.¹²²
2. States must resolve all complaints filed against AMCs within one year (12 months) of the complaint filing date, except for special documented circumstances.¹²³

¹²² Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²³ *Id.*

3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.¹²⁴

4. States must track complaints of alleged AMC misconduct or wrongdoing using a complaint log.¹²⁵

5. States must appropriately document enforcement files and include rationale.¹²⁶

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Id.*

POLICY STATEMENT 11

Statutory Implementation Period

Title XI and the AMC Rule set forth the statutory implementation period.¹²⁷ The AMC Rule was effective on August 10, 2015. As of 36 months from that date (August 10, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. Appraisal management services may still be provided for federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.¹²⁸

¹²⁷ Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

¹²⁸ Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

PART C: INTERIM SANCTIONS

POLICY STATEMENT 12

Interim Sanctions

A. Authority

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.¹²⁹ The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.¹³⁰ In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report¹³¹ issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

1. written notice of intention to impose an interim sanction; and
2. opportunity to respond or to correct the conditions causing such notice to the State.

Notice and opportunity to respond or correct the conditions shall be in accordance with section C, *Procedures*.

¹²⁹ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹³⁰ *Id.*

¹³¹ *See Appendix A – Compliance Review Process.*

C. Procedures

This section prescribes the ASC's procedures which will be followed in arriving at a decision by the ASC to impose an interim sanction against a State agency.

1. Notice

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the registration of AMCs, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and AMCs, the investigation of complaints, and enforcement actions against appraisers and AMCs.¹³² The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the *Federal Register*.

2. State Agency Response

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions. Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

3. Briefs, Memoranda and Statements

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State agency may file with the ASC's Executive Director a written brief, memorandum or other statement providing factual data

¹³² Title XI § 1118 (a), 12 U.S.C. § 3347.

and policy and legal arguments regarding the matters set out in the Notice and analysis.

4. Oral Presentations to the ASC

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting¹³³ of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

5. Conduct of Interim Sanction Proceedings

(a) Written Submissions

All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

(b) Disqualification

An ASC member who deems himself or herself disqualified may at any time withdraw. Upon receipt of a timely and sufficient affidavit of personal bias or disqualification of such member, the ASC will rule on the matter as a part of the record.

(c) Authority of ASC Chairperson

¹³³ The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC – to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

The Chairperson of the ASC, in consultation with other members of the ASC whenever appropriate, shall have complete charge of the proceeding and shall have the duty to conduct it in a fair and impartial manner and to take all necessary action to avoid delay in the disposition of proceedings.

(d) Rules of Evidence

Except as is otherwise set forth in this section, relevant material and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act (5 U.S.C. §§ 551-559) and other applicable law.

6. *Decision of the ASC and Judicial Review*

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

7. *Computing Time*

Time computation is based on business days. The date of the act, event or default from which the designated period of time begins to run is not included. The last day is included unless it is a Saturday, Sunday, or Federal holiday, in which case the period runs until the end of the next day which is not a Saturday, Sunday or Federal holiday.

8. *Documents and Exhibits*

Unless otherwise provided by statute, all documents, papers and exhibits filed in connection with any proceeding, other than those that may be withheld from disclosure under applicable law, shall be placed by the ASC's Executive Director in the proceeding's file and will be available for public inspection and copying.

9. *Judicial Review*

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.¹³⁴

¹³⁴ 5 U.S.C. § 703 - *Form and venue of proceeding*.

APPENDICES

Appendix A – Compliance Review Process

The ASC monitors State Appraiser and AMC Programs for compliance with Title XI. The monitoring of State Programs is largely accomplished through on-site visits known as a Compliance Review (Review). A Review is conducted over a two- to four-day period, and is scheduled to coincide with a meeting of the Program’s decision-making body whenever possible. ASC staff reviews the Appraiser Program and the seven compliance areas addressed in Policy Statements 1 through 7. ASC staff reviews a participating State’s AMC Program and the three compliance areas addressed in Policy Statements 8 through 10. Sufficient documentation demonstrating compliance must be maintained by a State and made available for inspection during the Review. ASC staff reviews a sampling of documentation in each of the compliance areas. The sampling is intended to be representative of a State Program in its entirety.

Based on the Review, ASC staff provides the State with an ASC staff report for the Appraiser Program, and if applicable, an ASC staff report for the AMC Program, detailing preliminary findings. The State is given 60 days to respond to the ASC staff report(s). At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State for the Appraiser Program, and if applicable, a Report is also issued for the AMC Program, with the ASC Finding on each Program’s overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the compliance areas are cited in the Report. “Areas of Concern” which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC’s final disposition is based upon the ASC staff report, the State’s response and staff’s recommendation.

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC Finding	Rating Criteria	Review Cycle (Program history or nature of deficiency may warrant a more accelerated Review Cycle.)
Excellent	- State meets all Title XI mandates and complies with requirements of ASC Policy Statements - State maintains a strong regulatory Program - Very low risk of Program failure	Two-year
Good	- State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements - Deficiencies are minor in nature - State is adequately addressing deficiencies identified and correcting them in the normal course of business - State maintains an effective regulatory Program - Low risk of Program failure	Two-year
Needs Improvement	- State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements - Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program - State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies - State regulatory Program needs improvement - Moderate risk of Program failure	Two-year with additional monitoring
Not Satisfactory	- State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements - Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program - State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing - State regulatory Program has substantial deficiencies - Substantial risk of Program failure	One-year
Poor ¹³⁵	- State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements - Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program - State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies - High risk of Program failure	Continuous monitoring

¹³⁵ An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 12, *Interim Sanctions*.

The ASC has two primary Review Cycles: two-year and one-year. Most States are scheduled on a two-year Review Cycle. States may be moved to a one-year Review Cycle if the ASC determines more frequent on-site Reviews are needed to ensure that the State maintains an effective Program. Generally, States are placed on a one-year Review Cycle because of non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Both two-year and one-year Review Cycles include a review of all aspects of the State's Program.

The ASC may conduct Follow-up Reviews and additional monitoring. A Follow-up Review focuses only on specific areas identified during the previous on-site Review. Follow-up Reviews usually occur within 6-12 months of the previous Review. In addition, as a risk management tool, ASC staff identifies State Programs that may have a significant impact on the nation's appraiser regulatory system in the event of Title XI compliance issues. For States that represent a significant percentage of the credentials on the Appraiser Registry, ASC staff performs annual on-site Priority Contact visits. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. This is not a complete Review of the Program. The ASC will also schedule a Priority Contact visit for a State when a specific concern is identified that requires special attention. Additional monitoring may be required where a deficiency is identified and reports on required or agreed upon corrective actions are required monthly or quarterly. Additional monitoring may include on-site monitoring as well as off-site monitoring.

Appendix B – Glossary of Terms

Appraisal management company (AMC): Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

AQB Criteria: Refers to the *Real Property Appraiser Qualification Criteria* as established by the Appraiser Qualifications Board of the Appraisal Foundation setting forth minimum education, experience and examination requirements for the licensure and certification of real property appraisers, and minimum requirements for “Trainee” and “Supervisory” appraisers.

Assignment: As referenced herein, for purposes of temporary practice, “assignment” means one or more real estate appraisals and written appraisal report(s) covered by a single contractual agreement.

Complaint: As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser or appraiser applicant, for allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

Credentialed appraisers: Refers to State licensed, certified residential or certified general appraiser classifications.

Disciplinary action: As referenced herein, corrective or punitive action taken by or on behalf of a State agency which may be formal or informal, or may be consensual or involuntary, resulting in any of the following:

- a. revocation of credential or registration
- b. suspension of credential or registration

- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender¹³⁶
- g. other acts as defined by State statute or regulation as disciplinary

With the exception of voluntary surrender, suspension or revocation, such action may be exempt from reporting to the National Registry if defined by State statute, regulation or written policy as “non-disciplinary.”

Federally related transaction: Refers to any real estate related financial transaction which:

a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and

b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

Federal financial institutions regulatory agencies: Refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration. (See Title XI § 1121 (6), 12 U.S.C. § 3350.)

Home State agency: As referenced herein, State agency or agencies that grant an appraiser a licensed or certified credential. Residency in the home State is not required. Appraisers may have more than one home State agency.

Non- federally recognized credentials or designations: Refers to any State appraiser credential or designation other than trainee, State licensed, certified residential or certified general classifications as defined in Policy Statement 1, and which is not recognized by Title XI.

Real estate related financial transaction: Any transaction involving:

a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

b) the refinancing of real property or interests in real property; and

c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(See Title XI § 1121 (5), 12 U.S.C. 3350.)

¹³⁶ A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual's Appraiser Registry record is updated to show the credential is inactive.

State: Any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands. (American Samoa does not have a Program.)

State board: As referenced herein, “State board” means a group of individuals (usually appraisers, AMC representatives, bankers, consumers, and/or real estate professionals) appointed by the Governor or a similarly positioned State official to assist or oversee State Programs. A State agency may be headed by a board, commission or an individual.

Uniform Standards of Professional Appraisal Practice (USPAP): Refers to appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation establishing minimum requirements for development and reporting of appraisals, including real property appraisal. Title XI requires appraisals prepared by State certified and licensed appraisers to be performed in conformance with USPAP.

Well-documented: Means that States obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.