



**MEMORANDUM**

**TO: Appraisal Regulatory System Stakeholders**

**FROM: The Appraisal Foundation**

**RE: Legislative Alert**

**DATE: June 1, 2015**

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**SUMMARY:**

The Appraisal Institute (AI) is approaching members of Congress to sponsor legislation which will essentially dismantle the current national appraiser regulatory system. Provisions being suggested by the AI include the elimination of the Appraisal Subcommittee and the removal or significant dilution of the Congressional authority of The Appraisal Foundation (TAF). Removal of the existing federal element of the current appraiser regulatory system would cause a breakdown in the uniformity and consistency in valuation services, at a time when the marketplace is calling for more uniformity, not fragmentation.

**BACKGROUND:**

During a recent meeting with several senior Congressional aides, we were repeatedly told that AI had met with members and staff of the House Financial Services Committee and they specifically cited the Institute's Director of Government and External Affairs by name. Using the governmental regulatory relief angle, AI is seeking to find a conservative Congressman to introduce the legislation, and a member of the Committee has shown interest.

Primary to these efforts is the dismantling of the current appraiser regulatory structure and the removal of USPAP as the sole Congressionally-authorized set of valuation standards to allow for more "competition" among standards setters. As many of you are aware, AI developed its own set of valuation standards last year.

These actions are designed to harm the Foundation but are also contrary to a global effort underway (of which TAF is an active partner) to promote the *convergence* of valuation standards, not to increase the number of them. Unlike the American Society of Appraisers, the Appraisal Institute of Canada, and TAF, AI has refused to sign a memorandum of understanding with the International Standards Valuation Council (IVSC) regarding the convergence effort.

Legislative Alert from The Appraisal Foundation  
June 1, 2015  
Page Two

In addition, TAF has been aware for some time of AI's efforts to dilute the importance of USPAP in the states (legislation is currently moving in California and Texas). As they reported at the Spring AARO Conference, AI is proposing that for non-federally related transactions, USPAP be replaced with "any national or internationally recognized valuation standards." State regulators have expressed concerns, and we agree, that this would prove to be an expensive burden and an administrative nightmare for the states as they would be required to: 1) Determine which standards should be applied to each transaction; 2) Become familiar with numerous sets of standards that credential holders may elect to adhere to; and 3) Review experience logs line-by-line to determine which assignments were USPAP compliant (an Appraiser Qualifications Board experience requirement) and which were not.

**CURRENT STATUS:**

The U.S. House of Representatives Financial Services Committee intends to conduct a hearing on the appraiser regulatory system in the months ahead. It is our hope that Members of Congress will refrain from introducing any appraiser-related legislation until after the hearing process has been concluded. However, AI is continuing to apply pressure on a particular Congressman they are courting on the House Financial Services Committee. TAF is currently seeking to arrange a meeting with the Congressman.

At the state level, TAF is providing information to the appropriate legislative and administrative personnel. Please see the attached correspondence to California.

**REQUESTED ACTION:**

We encourage you to give serious thought to the impact that lessening or removing federal oversight will have on reciprocity, temporary practice, consistent qualifications and uniform standards for appraisers. National and regional users of valuation services have been calling for more uniformity, not fragmentation.

If necessary we may form a coalition of appraisers, users of appraisal services and appraiser regulators to effectively counter this very transparent attempt to undo the current regulatory structure and return to the 1980's. If you would like to participate in such a coalition, please contact Paula Douglas-Seidel at 202-624-3048 or at [Paula@appraisalfoundation.org](mailto:Paula@appraisalfoundation.org). Members of Congress, especially those serving on the House Financial Services Committee, will need to be educated about the fallacies of the proposal they are being asked to consider.

Legislative Alert from The Appraisal Foundation  
June 1, 2015  
Page Three

At the state level, we ask that you let us know about any initiatives related to appraisal standards. It is important for state legislators to be fully informed on such important matters. Your input will be critical to these efforts.

AI's legislative initiatives are very serious actions that could negatively impact the appraisal profession, decrease the stability of the financial sector, and harm the advances made on consumer protection. It is important to note that we believe that these actions are by the executive leadership of AI and do not represent the desires of the majority of its members.

*No public funds were used in the development or the dissemination of this document.*

**Attachment**



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications

June 1, 2015

Ms. Janelle Miyashiro  
Senate Business, Professions and Economic Committee  
Room 2053  
State Capitol Building  
1315 10th Street  
Sacramento, CA 95814

RE: Assembly Bill 624

Dear Ms. Miyashiro:

This is regarding Assembly Bill 624, proposed legislation that would amend Sections 11302 and 11319 of the Business and Professions Code relating to real estate appraisers.

The Appraisal Foundation, a neutral third party authorized by Congress to establish appraisal standards and appraiser qualifications, has significant concerns regarding certain provisions of the bill. The rationale for the change in law lacks substance, the proposal opens the door for creation of legal standards that have no public input, and it creates additional burdens for California's appraisers and the state regulators who will be charged with enforcing it.

First of all, we do not believe that the rationale for the proposed changes is based in fact. Via our advisory councils, The Appraisal Foundation interacts with over 100 government agencies, users of appraisal services, and private appraisal firms nationally and abroad that serve as members. All of the input we have received indicates that it is "very rare" for an appraiser to be required to perform an assignment according to a foreign set of standards. If this were in fact a problem, we believe that you would have already heard from the major international real estate firms as well as global corporations doing business in California that could not easily obtain needed valuation services.

The Congressionally-authorized *Uniform Standards of Professional Appraisal Practice* (USPAP) have been used successfully in California for the past 25 years. USPAP was initially developed to harmonize the numerous standards used by appraisers across the United States, stabilize the financial marketplace, and eliminate inconsistencies. It is updated collaboratively via a transparent public process with all proposed revisions exposed to numerous rounds of public review and comment. It is highly unlikely that any alternative valuation standards would have such independent, feedback-driven processes in place, especially since those standards would have likely been developed for proprietary purposes. It is also important to note that USPAP is consistent with the International Valuation Standards (IVS) and, through its Jurisdictional Exception provision, allows for the flexibility to accommodate the laws and regulations of other jurisdictions.

Ms. Janelle Miyashiro  
June 1, 2015  
Page Two

Additional concern is raised regarding the standard of practice being proposed in the bill as “any nationally or internationally recognized valuation standard addressing the credibility of an appraisal or an appraisal review.” From a regulatory perspective, what entity would be deemed qualified to “recognize” valuation standards? In addition, how would regulatory personnel stay abreast of multiple sets of national or international standards that change periodically? Through its close association with the Association of Appraiser Regulatory Officials (AARO), The Appraisal Foundation is keenly aware that state regulatory personnel are subject to administrative changes and turnover that often result in a lack of complete understanding of a *single* set of standards, let alone multiple standards. At a recent meeting of AARO, a poll of approximately 175 state regulators from over 30 states found that not one of them thought that enforcing multiple sets of standards was a good idea.

Furthermore, it is a national requirement that all appraisal experience claimed by an individual seeking an appraiser credential (whether an initial credential or an upgrade) must have been performed in conformance with USPAP. If appraisals are performed under differing sets of valuation standards, there would be a significant administrative burden establishing which standards were followed for each appraisal claimed by an applicant. The burden upon the states and the appraisers seeking a state license would be significant and costly.

We strongly encourage you to contact the following individuals as well in order to obtain their perspectives on the negative impact this proposed legislation would have:

**James Martin, Bureau Chief, California Bureau of Real Estate Appraisers.** Mr. Martin can provide you with a first-hand account of the significant administrative burden this bill would place on the resources of the Bureau. He can be reached at 916-440-7879 or at [Jim.Martin@orea.ca.gov](mailto:Jim.Martin@orea.ca.gov).

**James Park, Executive Director, Appraisal Subcommittee of the Federal Financial Institutions Examination Council.** Mr. Park can explain the unique role the federal government has in monitoring and evaluating the performance of state appraiser regulatory agencies. He can be reached at 202-595-7575 or at [jim@asc.gov](mailto:jim@asc.gov).

**John Brenan, Director of Appraisal Issues, The Appraisal Foundation.** Mr. Brenan offers a unique perspective due to the fact that he served as the Chief of Licensing and Enforcement for the California Office of Real Estate Appraisers for many years and has been the Foundation’s appraisal standards expert for over a decade. He can be reached at 202-624-3044 or at [john@appraisalfoundation.org](mailto:john@appraisalfoundation.org). As John resides in the Sacramento area, he is also available for an in-person meeting.

Ms. Janelle Miyashiro  
June 1, 2015  
Page Three

Please do not hesitate to contact The Appraisal Foundation if you have any questions or need additional information. We would be pleased to provide testimony as to the negative implications of enacting Assembly Bill 624. I can be reached at 202-624-3040 or at [david@appraisalfoundation.org](mailto:david@appraisalfoundation.org).

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Bunton". The signature is fluid and cursive, with a long horizontal stroke at the end.

David S. Bunton  
President

cc: James Martin  
James Park  
John Brenan