

From: [John Brennan](#)
To: [Regulatory Comments](#)
Subject: CFPB-2014-0006
Date: Monday, June 09, 2014 4:00:32 PM

Thank you for the opportunity to respond to the proposed federal regulations for Appraisal Management Companies (AMCs).

In reviewing the proposed regulations, the Appraisal Standards Board (ASB) and The Appraisal Foundation are concerned with respect to the language applying to the definition of "Appraisal Management Services." The text, as written, states that "Reviewing and Verifying the Work of Appraisers" is one of the specified items under this definition.

It is our belief that the terms "reviewing" and "verifying" lack specificity that could result in confusion in the marketplace. In addition, without further specificity there may be a risk of protection to the public.

"Appraisal Review" is a defined term in the Uniform Standards of Professional Appraisal Practice (USPAP), which are the national appraisal standards promulgated by the ASB. All state licensed and certified appraisers must adhere to USPAP in performing appraisals for federally related financial transactions. However, there are countless types of "reviews" that are performed today; those performed by appraisers complying with USPAP must comply with STANDARD 3. Some "reviews" are designed to determine whether or not the opinion of value in the appraisal under review is reasonable, while some "reviews" are simple checklists designed to ensure the appraisal under review meets certain criteria established by a client, such as a lender. And there are a multitude of reviews that fall between these two extremes. Therefore, it is our recommendation to revise the language to more clearly outline the expectations for the "reviews" being considered. Furthermore, it is our recommendation that such reviews include a requirement to comply with STANDARD 3 in USPAP.

Along with the question about what "reviewing" means, we believe it is also critical to address who is able to perform these functions. For example, Title XI of FIRREA mandates state licensed or certified appraisers perform appraisals for federally related financial transactions. In the "reviewing" function, we believe it would be counterproductive to have an individual who is not a state licensed or certified appraiser perform a "review" of an appraisal performed by a state licensed or certified appraiser.

In addition, the issue of any threshold (or de minimus) amount should be addressed as well. Under Title XI, transactions with a transaction value below \$250,000 do not require a state licensed or certified appraiser to perform an appraisal. Would there be any such threshold with the "reviewing" function intended?

Lastly, it is our opinion that the term "verifying" could be problematic as well. It is not clear what the expectation is for "verifying the work of appraisers." Without additional clarity, this terminology could have unintended consequences. Is the verification intended to be part of the review process? If so, the term may not be needed at all. But if verification is intended to be something in addition to a review, we believe that needs to be spelled out specifically. Further, if there is some additional expectations for verification, we feel it's imperative to be able to examine any such expectations and comment on their appropriateness.

John S. Brennan
Director of Appraisal Issues
The Appraisal Foundation
www.appraisalfoundation.org
(202) 624-3044