



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS 75222

February 15, 1991

Notice 91-12

**TO:** The Chief Executive Officer of each member bank and others concerned in the Eleventh Federal Reserve District

**SUBJECT**

**Guidelines Regarding Criteria for State-Licensed Appraisers Utilized in Federally Related Transactions**

**DETAILS**

The Federal Financial Institutions Examination Council (FFIEC) has issued a new advisory on state criteria for certification and licensing of real estate appraisers. Other provisions, comments, and criteria pertaining to state licensing policies, practices, or procedures are contained in Advisory 90-1 and Advisory 90-2.

In Advisory 91-1, the Appraisal Subcommittee of FFIEC expresses its preference for a single class of certification for real estate appraisers; however, the subcommittee is prepared to accept two classes of certification subject to the following conditions. First, the Appraiser Qualifications Board (AQB) of the Appraisal Foundation must develop and approve a classification standard for "certified residential real estate appraiser." Second, an examination for this classification must be developed that may or may not be the same as that given for "certified general" appraisers. This examination must be validated by the AQB. Finally, the Appraisal Subcommittee must review and not disapprove the classification standard.

**ATTACHMENT**

A copy of the FFIEC's Advisory 91-1, dated January 25, 1991, is attached.

**MORE INFORMATION**

For further information, please contact Jane Anne Schmoker at (214) 651-6228. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script that reads "Robert D. McTeer, Jr.".

January 25, 1991

THE APPRAISAL SUBCOMMITTEE OF THE FEDERAL  
FINANCIAL INSTITUTIONS EXAMINATION COUNCIL  
ADVISORY 91-1

GUIDELINES REGARDING TWO CLASSES OF CERTIFICATION

Introduction

This advisory modifies the Guidelines Regarding State Certification and Licensing of Appraisers issued for comment by the Appraisal Subcommittee (hereinafter "Subcommittee") of the Federal Financial Institutions Examination Council on January 18, 1990. Section 1118 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3347) (FIRREA) charges the Subcommittee with the responsibility to monitor the certification and licensing policies, practices or procedures of each State.

Section 1116(a) of FIRREA (12 U.S.C. 3345) defines "State certified real estate appraiser" to mean 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 Qualifications Board (AQB) of the Appraisal Foundation. The language of Title XI has previously

been interpreted by the Subcommittee to indicate that States should have a single standard for certified appraisers, and that specialization in appraisal practice (residential, commercial, office, etc.) could be achieved after achieving certification. The Subcommittee has offered guidance to states based upon this interpretation, i.e. "the Subcommittee encourages the State to adopt just a 'State licensed' and a 'State certified' category consistent with Title XI". The Subcommittee suggested in advisory 90-1 that it believed the AQB classification entitled "residential real property appraiser"<sup>1</sup> was appropriate for licensed appraisers and the AQB classification "general real property appraiser"<sup>2</sup> was appropriate for certified appraiser. The Subcommittee still believes that in most States this interpretation is appropriate.

It has been brought to the attention of the Subcommittee, and of the AQB, that in a few states with a significant quantity of very high priced single family homes this interpretation of the Title XI,<sup>3</sup> requirement that a State certified appraiser be used to perform appraisals for all real estate transactions having a

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<sup>1</sup>The AQB has proposed renaming this classification. In an exposure draft dated December 20, 1991 the proposed name for this classification is "State licensed real property appraiser".

<sup>2</sup>The AQB has proposed to rename this classification to "certified general real property appraiser".

<sup>3</sup>PL 101-73,130 Stat. 183[1989]:12 U.S.C. 3331-3351, specifically Sections 1113 paragraphs (1) and (2) (12 U.S.C. 3342)

value in excess of \$1,000,000 and for all complex 1-4 unit properties will disqualify a number of residential appraisers from performing appraisals for which they are uniquely qualified. Upon discussion with the AQB, the Subcommittee has been advised that this issue is of serious enough concern to the AQB that they have issued exposure drafts of appraiser qualification criteria (for) "certified residential" (new), "State licensed" (renamed from "residential real property appraiser"), and "certified general" (renamed from "general real property appraiser") classifications of real estate appraisers. While the Subcommittee has not reviewed or approved the exposure drafts, and cannot at this time endorse the proposed criteria, we are prepared to accept, from those states who believe it necessary, categories for "certified residential" as well as "certified general" real estate appraisers.

#### Qualifications Criteria

In order for a state to have two classifications of certified appraisers, it will be necessary that the AQB develop final qualification criteria for "certified residential" appraisers, and for an examination to be developed for "certified residential" appraisers, which may or may not be the same as that given for "certified general" appraisers. In addition, that examination must be validated by the AQB. Finally, all of the

above shall be reviewed by the Subcommittee to insure that the requirements of Section 1116(a) of FIRREA are met.

### Implementation

In addition, it will be necessary for the state to develop and implement a procedure to insure that "certified residential" appraisers be so distinguished from "certified general" appraisers that a user of appraisal services for a federally related transaction, following the requirements of FIRREA and the appraisal regulations of the federal financial institutions regulatory agencies<sup>4</sup> or the Resolution Trust Corporation, will be assured that an appraiser holds the appropriate type of certification. The Subcommittee is concerned that confusion may arise among affected institutions concerning this issue and will be extremely cautious in reviewing state schemes for implementing such provisions.

### State Reviews

States which have received letters commenting upon legislation enacted or proposed should re-evaluate those comments in light of this advisory and the need in the state for appraisers to perform

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<sup>4</sup>The federal financial institutions regulatory agencies are the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

appraisals on 1-4 family properties valued in excess of \$1,000,000 or otherwise defined as complex. The Subcommittee continues to remind the States that in exercising its oversight responsibilities, it will review a State's overall regulatory scheme to determine compliance with Title XI.