Legislative Initiatives for Alternative Standards to USPAP

Prepared for the Association of Appraiser Regulatory Officials
David Bunton, President
April 10, 2016
Legislative Initiatives for Alternative Standards to USPAP

Overview

- Efforts over the last year to recognize standards other than USPAP for non-federally related transactions
- Proposals would seriously erode public trust in the valuation profession
- Widespread opposition from the appraisal profession and users of appraisal services
Legislative Initiatives for Alternative Standards to USPAP

State Activities:

- TX: other standards must be “substantially equivalent to USPAP”
- CA: bill put in suspension, found to be too expensive, significant opposition
- MT: Board reviewed draft language, took no action
Legislative Initiatives for Alternative Standards to USPAP

State Activities:

Tennessee

- Draft allowed other standards and prevented state from taking action against appraisers using them
- Tennessee Association of REALTORS® and others opposed
- Bills pulled
- Working group formed to look at language
Legislative Initiatives for Alternative Standards to USPAP

State Activities:

- **Florida**
  - Other standards must “meet or exceed” USPAP
  - Petition initiative to recognize alternate standards by Rule
  - Board is currently split on the issue
  - More opposition than proponent testimony

- **Virginia**
  - Board given overview of initiative, no action
Alternative Standards to USPAP

*Divisive – Expensive - Opposed*

- There are at least eight generally recognized valuation standards, in addition to USPAP (attachment #3)
- USPAP is the minimum or base upon which other standards are built
- Other standards are developed to be used in addition to USPAP not as an alternate
Alternative Standards to USPAP

Divisive – Expensive - Opposed

The one being pushed for adoption:

- Lowers minimum floor
- Allows contingent fee assignments
- Permits minimal record keeping
- Deficient in 12 critical areas
- Principles based, difficult to enforce
- Updated frequently with no public input
- New and untested, effective January 1, 2015
Significant Impact

- **Federally Related Transactions (FRT)**
  - It is estimated that over 75% of residential mortgage transactions fall outside the current definition of FRT
  - Most loans made by federally insured banks and credit unions would not be afforded protections of USPAP
Significant Impact

- **Regulatory Burden for Users of Appraisal Services**

  - Compliance operations will need to become knowledgeable about the various standards
  - Would need to continuously monitor standards for revisions
    - Very difficult since they are adopted without public input or notification
Administrative & Financial Burden for State Regulators

- Enforcement of numerous standards carries heavy financial burden (attachment #2)
- Training efforts skyrocket for investigative and legal staff
- Administrative analysis of experience more complex to determine which assignments were completed under USPAP
Confusion in Marketplace

- In mandatory states, every appraisal conforms to USPAP
  - Consistency promotes stability
- “Anything Goes” approach with standards that haven’t been vetted in the courts
  - Confusion fosters chaos
  - Erodes public trust in valuation
- Legal community predicts “Parade of Horribles” should such initiatives pass
Arguments Lack Substance

- **International Assignments**
  - Global efforts to harmonize standards
  - Bridge document between USPAP and International Valuation Standards

- **Impediment to Assignments is False Narrative**
  - Evaluations, tax appeal, litigation, insurance, and others allowed under USPAP
  - See “Yes I Can Accept that Assignment!”
Needless Distraction

A Solution in Search of a Problem

- System with one set of minimum standards is working quite well
- Reasons to change lack substance
- Bad far outweighs the good
- Benefits are primarily to one membership organization with less than 20% of total number of appraisers
Needless Distraction

- **No support within regulatory system**
  - **No State** has adopted alternative standards to be used in lieu of USPAP

- **ASC supports one** strong yet flexible set of appraisal standards
Needless Distraction

- **Minimal support within appraisal profession**
  - 16 professional organizations with strong interest in valuation are opposed (attachment #4)
  - Standard setters listed in draft legislation have asked to be removed from proposals
  - 1 organization is sole advocate with more of its members testifying *against* the initiative than for it during public hearings
Alternative Solution to Legislative Initiatives

- One set of strong yet flexible standards provides stability, prevents confusion, and is the hallmark of a profession.

- Let’s *work together* to make USPAP even better
  - Open offer for ASB work group to look at alleged barriers and possible solutions
  - Suspend state activities and give harmony a try
Contact Us

Communicating with the Foundation and its Boards is easy:

- Website:  [www.appraisalfoundation.org](http://www.appraisalfoundation.org)
- Phone:  202.347.7722
- Address:  1155 15th Street NW, Suite 1111
  Washington, DC  20005