



THE APPRAISAL FOUNDATION

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Legislative Initiatives for Alternative Standards to USPAP

Prepared for the
Association of Appraiser Regulatory Officials

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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



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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



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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



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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



Significant Impact

- 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



Significant Impact

■ 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



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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:

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