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MORTGAGE BANKERS ASSOCIATION

November 4, 2016

Joseph C. Traynor  
Chair  
Appraisal Qualifications Board  
The Appraisal Foundation  
1155 15<sup>th</sup> Street, NW, Suite 1111  
Washington, DC 20005

RE: Second Exposure Draft of *Proposed Changes to Real Property Appraiser Qualification Criteria*

Dear Mr. Traynor,

The Mortgage Bankers Association<sup>1</sup> appreciates the opportunity to comment on the Appraiser Qualifications Board (AQB)'s latest exposure draft published on September 25, 2016. Residential appraisers continue to play a critical role in real estate finance and are relied upon by lenders, investors, and consumers alike.

### **Overview**

In the months since the AQB released its first exposure draft, the urgency of addressing the declining appraiser population has become increasingly apparent. In many markets, as demand for appraisals has outpaced the number of residential appraisal professionals, MBA members have reported significant increases in appraisal turn-times, many declined assignments, as well as substantial increases in appraisal fees. These additional fees and delays are directly borne by consumers, increasing the cost of the entire home-buying process and thereby raising barriers to home ownership for families across the country.

While the severity of the current problems may be temporary, they highlight long-term structural issues in the appraisal market that must be addressed. MBA agrees with the AQB that reasonable modifications to the Real Property Appraiser Qualification Criteria is one avenue to stimulate entry to the residential appraisal profession and thereby address the shortage. MBA also believes that time is of the essence in this proposal, that the AQB's deliberations should be swift, and that the final changes should be announced and effective on a timetable that is commensurate with the level of urgency felt by many markets facing severe appraiser shortages.

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: [www.mba.org](http://www.mba.org).

In short, MBA concurs with the AQB's proposed changes to *Licensed Residential* and *Certified Residential* education requirements, as well as with the proposed changes to experience requirements for all three designations. However, MBA urges the AQB to apply the same proposed *Certified Residential* education requirements to the *Certified General* designation, to reconsider the eligibility of alternative forms of experience, and to reassess the viability of the supervisor-trainee model. Finally, MBA encourages the AQB to continue moving forward with the development of an academic "practical applications course," and to conduct a national appraiser dispersion study. Each of these positions are described in greater detail below.

### **Education Requirements**

In Section 1 of the exposure draft, the AQB recommends removing the college-level education requirement for the *Licensed Residential* credential entirely, and, for *Certified Residential*, reducing the four-year degree requirement to the choice of an associate's degree, completion of certain College-Level Examination Program (CLEP) exams or the completion of specific college courses. MBA agrees with these proposals. In an era when rising tuition costs and the prospect of student loan debt have created significant barriers to entry in a large number of professions, the residential appraisal industry remains one of the few skilled trades that requires a four-year degree. For an aspiring appraiser, on top of unanswered questions like the ability to find a supervisor, how much they will be paid, and what the industry will look like in the future, the addition of four years of college puts these young professionals into a financially and strategically untenable position. Further, the content of many of these college courses will not be relevant to the residential appraisal field. For the *Licensed Residential* designation, given the aforementioned costs of obtaining a degree, and the fact that many holding the designation today do not have a college education, MBA agrees with the AQB that on-the-job training through experience hours, paired with completion of the Uniform Standards of Professional Appraisal Practice (USPAP) course and examination, is appropriate.

For the *Certified Residential* designation, MBA applauds the AQB on a solution that provides flexibility for aspiring appraisers to demonstrate proficiency in specific skills relevant to the valuation of real estate- either by completion of an associate's degree, specific courses, or passage of CLEP examinations. All of these options will preserve and maintain public trust in the appraisal profession, and none of these options will lead to undue financial sacrifice on the part of trainees. MBA believes that the *Certified Residential* education proposal should also be applied to the *Certified General* designation, given the same reasons as those listed above. The heightened experiential burden required to become a *Certified General* appraiser is of far greater importance than the completion of a college degree.

### **Experience Requirements**

In Sections 2 and 3 of the exposure draft, the AQB continues to consider the introduction of an academic "practical applications course" that could count towards the required experience hours, but declined to proceed on its previous idea of allowing alternative forms of experience to be eligible for the same credit. MBA urges the AQB to reconsider the use of alternative experience to count for up to 50 percent of the required hours for

the *Licensed Residential* and *Certified Residential* designations. A real estate professional with 20 years of experience should not be considered the same as someone entering the workforce for the first time. Yet, for purposes of appraisal experience hour accruals, this is how experienced professionals will be treated under the AQB's proposal.

Beyond this, the traditional supervisor-trainee appraiser model has become untenable in many markets. Trainees are often unable to find a supervisor to take them on, either because there are no other appraisers in the area, or because the potential supervisor is concerned about taking on liability for the trainee's work, does not want to have to compensate them, or would prefer not to train future competition. Further, trainees are often forced to hold other jobs throughout the mentorship period in order to make it economically viable for them to pursue a career as an appraiser. The appraisal industry's continued reliance on this outdated and often anticompetitive model has created significant barriers to entry into the appraisal profession. Accordingly, MBA urges the AQB to continue to evaluate the viability of this system.

MBA continues to support the adoption of an academic "practical applications course" to count towards up to 50 percent of required experience hours. As MBA has said in previous comments, the introduction of vocational programs on college campuses is critical, as it would expose many talented individuals to the appraisal industry for the first time. MBA urges the AQB to make such a "practical applications course" open to all interested college students, not simply those who have already completed the AQB's educational prerequisites. Otherwise, enrollment would effectively be limited to those who have already determined that they want to become appraisers, and the total enrollment would be significantly diminished, making the programs more challenging to deliver across the country.

In Section 3 of the exposure draft, the AQB proposes reducing the total number of experience hours from 2,000 to 1,000 for *Licensed Residential*, from 2,500 to 1,500 for *Certified Residential*, and from 3,000 to 2,000 for *Certified General*, as well as eliminating all minimum time requirements for completion of these hours. MBA agrees with these recommendations. While MBA has stated in its previous comments that ample experience in the industry should remain the foundation of certification requirements, MBA is satisfied that the reasonable hour reductions proposed by the AQB will make the appraisal certification process less daunting for new entrants to the profession without significantly undermining either the quality of appraisals or the public trust in the profession. Requiring 1,000, 1,500, or 2,000 hours of experience working on appraisals, coupled with completion of the USPAP course and examination, remains a significant threshold for entry into the profession.

MBA is also supportive of the AQB's proposal to drop all time-requirements for completion of these hours. Different trainee appraisers follow different schedules; some are able to commit full-time to completion of the required hours, while others choose to remain employed elsewhere, for financial reasons, while they accrue the necessary appraisal experience. The AQB's proposal creates flexibility for aspiring appraisers by allowing them to complete the required hours at a pace that makes the most sense for them.

### **Additional Recommendations**

The AQB's second exposure draft did not address MBA's previous recommendation that the Appraisal Foundation conduct a national appraiser dispersion study. While it is not directly related to appraiser qualification criteria, MBA strongly recommends that the Appraisal Foundation examine which markets are saturated and which are in the most need of new appraisers. Aspiring appraisers would receive a valuable perspective into where they should begin their careers, and may be more inclined to enter a market where there is clear data indicating excess demand for appraisal services. The markets that currently have the greatest shortage are often the same markets where there are few comparable sales and where the need for talented residential appraising is therefore maximized not only today, but in the years to come. Furthermore, an efficient distribution of appraisers would reduce the time between work assignments, thereby reducing costs for consumers and appraisers alike.

MBA looks forward to continuing the discussion with the AQB on how reasonable modifications to appraiser qualification criteria can stimulate entry into the profession while preserving the integrity of the residential appraisal industry for the next generation. Should you have any questions, or wish to discuss any aspect of these comments further, please contact Tamara King, Vice President of Residential Policy at (202) 557-2758 or [tking@mba.org](mailto:tking@mba.org); or Matt Jones, Regulatory Assistant at (202) 557-2922 or [mjones@mba.org](mailto:mjones@mba.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Pete Mills". The signature is fluid and cursive, with a large initial "P" and "M".

Pete Mills  
Senior Vice President, Residential Policy and Member Engagement  
Mortgage Bankers Association