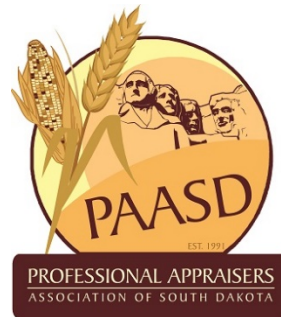


October 22, 2021

Tim Flannery
Department of Legislative Audit
427 S. Chapelle
Pierre, SD 57501



RE: Government Operations and Audit Committee Meeting of October 28, 2021

Dear Mr. Flannery,

Thank you for your email of October 14th conveying Senator Schoenfish's invitation to attend the GOAC meeting on October 28th. The elected leaders of the *Professional Appraisers Association of SD (PAASD, www.paasd.com)* are pleased to accept the invitation and to contribute to the discussion about the SD Appraiser Certification Program (**ACP**).

Since its formation in 1991, PAASD has been recognized within the state as the prominent voice for the real property appraisal profession. The organization counts over 65% of the appraiser practitioners that reside in SD as members. PAASD maintains significant initiatives to provide scholarships and education both for individuals seeking to enter the appraisal profession and for established appraisers throughout the state.

In the way of background, the ACP was created by the SD Legislature via SDCL §36-31B in response to a federal mandate contained in Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This federal legislation was also known loosely as *the federal savings and loan bailout bill*. By 1992, the ACP had promulgated sufficient rules to begin the process of licensing and certifying real estate appraisers in our state. In the interim, PAASD was formed in 1991 to help appraisers obtain the education and practical knowledge necessary to navigate the new credentialing regime, as required by the federal government.

To this day, a federal agency called the Appraisal Subcommittee (**ASC**) oversees the actions of all state appraiser regulators in the United States, including South Dakota's ACP. The performance of the ACP is subject to a unique form of federal oversight and monitoring by the ASC. Unlike other professions, the SD state credential(s) earned by appraisers from the ACP are subject to *decertification* by this federal agency. If the SD appraiser regulator, the ACP, is found to be consistently out of compliance with Title XI of FIRREA, one of the remedies available to the ASC is to *decertify* for federally related transactions all the appraiser credentials issued by the ACP. In practical terms, this action would mean that the appraiser residents with businesses in SD would lose their ability to perform appraisals almost overnight. For this reason, appraisal practitioners in the state have always had an intense interest in the actions of the ACP and carefully monitor its activities and programs. In a very real sense, the ability to practice as an appraiser in SD is inherently tied to the successful and compliant operation of the ACP, as judged by the ASC.

To improve the ability of appraisers to meet the needs of the users of appraisal services, PAASD has worked closely with the ACP since its formation to update ARSD 20:14 and pass revisions to SDCL §36-

21B, as needed or mandated by the federal government. These changes through three decades have enabled the regulator to better serve the public interest while also fairly regulating the profession. A few examples of past bills affecting the appraisal profession in which the ACP and PAASD collaborated to produce a common outcome are displayed next. These bills were often jointly supported (or opposed) by both entities through the legislative process in the SD House and Senate.

2007 – HB 1175; Changed the statute of limitations on appraisal reports in SD; Signed into Law.

2009 – HB 1124; Passed the Improper Influence on Appraisers / Appraiser Pressure Bill; Signed into Law.

2010 – SB 119; PAASD combined with the ACP to oppose a bill that would permit auctioneers to offer value opinions without an appraiser credential. Bill was sent to the 41st day.

2011 – HB 1033; Required registration and regulation of AMCs by the ACP; Signed into Law.

2013 – SB 60; Initiated by the ACP, revised certain definitions regarding the Appraiser Certification Program. PAASD supported the bill; Signed into Law.

2014 – SB 48; Initiated by the ACP, established new criteria for the certification, licensure, and regulation of real estate appraisers. PAASD supported the bill; Signed into Law.

2015 – HB 1222; Initiated by seven representatives and two senators, opposed by the ACP. The bill revised certain educational requirements for certified appraisers. PAASD also opposed the bill; Tabled in committee.

2020 – HB 1127; Initiated by the ACP and SDBA, allowed credentialed appraisers to perform evaluations for federally regulated lending institutions. PAASD supported the bill; Signed into Law.

2021 – HB 1015; Initiated by the ACP, allows SD to create and offer the new Experience Training Program (ETP) concept. PAASD supported the bill; Signed into Law.

To aid the members of the GOAC in understanding the extent of federal oversight of the appraiser practitioners in South Dakota, PAASD offers the [chart on the following page](#). Note that the area of the chart highlighted in yellow is controlled by federally mandated minimums, outside of state control. Only the area of the chart in white is within the control of the state appraiser regulator.

Although PAASD has always worked collaboratively with the ACP over the past three decades, the most recent proposal by the ACP to adopt and amend rules in ARSD 20:14, and the way it was noticed to the public, required appraiser practitioners to oppose the regulator for the first time. For the benefit of the members of the GOAC, the details of that opposition are contained in the companion document sent with this letter (*PAASD Letter to SD ACP – 10 21 2021*).

The leaders of PAASD hope that the upcoming public meeting of the GOAC will allow the organization and the appraiser regulator, the ACP, to return to their history of working together to better the profession and enhance the public trust for the citizens of SD.

Sincerely,

s/Sandra L. Gresh

Sandra L. Gresh
PAASD President
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Current Requirements to Obtain An Appraiser Credential in SD				
	Formal Education	Appraiser Education in Specified Topics	Appraisal Experience*	National Uniform Exam
State-Registered Credential (Trainee Level)	No college education requirement	75 classroom hours	No Experience Required	SD and 4 other states require passage of a trainee level exam that covers 75 classroom hours of education. <i>There is no limit to the number of times the exam can be taken. **</i>
Licensed Credential (Mid-Level Residential)	No college education requirement	Additional 75 classroom hours beyond State-Registered	Minimum of 6-months and 1,000 hours with an endorsed appraiser-supervisor.	Pass the National Uniform Appraiser Exam for the Licensed credential. The exam can only be taken four times after which the upgrade application is void.
Certified Residential (Highest Level for Residential)	Minimum of an Associate's Degree (or a specified 30 semester hours alternative)	Additional 125 classroom hours beyond State-Registered	Minimum of 12 months and 1,500 hours with an endorsed appraiser-supervisor (750 hours must be in residential).	Pass the National Uniform Appraiser Exam for the Certified Residential credential. The exam can only be taken four times after which the upgrade application is void.
Certified General (Can Appraise All Property Types)	Minimum of a Bachelor's Degree	Additional 225 classroom hours beyond State-Registered	Minimum of 18 months and 3,000 hours with an endorsed appraiser-supervisor (1,500 hours must be in nonresidential).	Pass the National Uniform Appraiser Exam for the Certified General credential. The exam can only be taken four times after which the upgrade application is void.

* A small sample of the applicants work product is examined by the state regulator at the end of the experience hours to assure that the appraisals and appraisal reports submitted to the state comply with USPAP.

** Unlike almost all other states, SD allows trainees to appraise on their own (without a supervisor) in certain transactions. The federal standard is that trainees do not appraise on their own (never without a supervisor).

Note: Federal requirements are in yellow - no state deviation permitted