



PROFESSIONAL APPRAISERS ASSOCIATION OF SD

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The Honorable John Thune
United States Senate
Washington, DC 20510

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Dear Senator Thune:

On behalf of the 140 members of the Professional Appraisers Association of South Dakota (PAASD), we offer these comments on the appraisal provisions in H.R. 3221, the Housing and Economic Recovery Act (HERA).

Section 1404 of HERA amends the National Housing Act to require that any appraiser chosen to conduct appraisals for FHA mortgages be **certified** by the state in which the property is located or by a nationally recognized professional appraisal organization. Further, they must have demonstrated verifiable education in the appraisal requirements established by the Federal Housing Administration.

The spirit of this section of HERA is well-intentioned, however, we do not believe it addresses the problem for the state of South Dakota. This is evidenced by the attached table from HUD – which clearly illustrates that nearly half of the current appraisers on the FHA approved appraiser list for South Dakota are ‘licensed’ (and not the higher ‘certified’ level). These licensed appraisers will be ineligible to complete FHA assignments after October 1, 2009 according to the current mandates of HERA. This will leave the state’s residents woefully short of qualified FHA appraisers for their home purchases and refinances. Note that South Dakota is the 5th most reliant state in terms of licensed appraisers completing FHA assignments with about 45.5% of the total in this category.

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), passed into law in 1989, offered the framework for the initial nationwide licensing and certification of appraisers. At that time, the state of South Dakota chose to offer only two levels of licensure for appraisers, as follows:

S.D. State-Licensed Appraisers were generally residential appraisers, and
S.D. State-Certified General Appraisers typically included non-residential appraisals in their scope of practice – such as commercial, industrial, ag, etc.

At that time, most of the existing residential appraisers in the state chose to obtain the State-Licensed Appraiser license given these two choices. In 1997, South Dakota added the **S.D. State-Certified Residential** category of licensure, which requires additional education and experience to upgrade from S.D. State-Licensed. This ‘certified residential’ license has been primarily obtained by residential fee-appraisers who have advanced in their practice.

The point to be made, though, is that many of South Dakota's best residential appraisers initially complied with the mandates of FIRREA by obtaining their S.D State-Licensed Appraiser license – their only choice at the time - and have had no compelling reason to upgrade to the higher S.D. State-Certified Residential level. In the interim, they have had to take exactly the same continuing education courses as certified residential appraisers. Put another way, every appraiser in South Dakota has the same continuing education requirements, be they licensed or certified. Further, appraisals by licensed appraisers have been accepted by HUD-FHA since FIRREA. In fact, many have been appraising for the FHA for decades.

Note also that several states chose to meet the mandates of FIRREA by only offering certified levels of licensure in 1989. Wyoming and Pennsylvania, for example, did not offer a State-Licensed certificate – all of their appraisers either became State-Certified Residential or State-Certified General appraisers in 1989. Had South Dakota implemented FIRREA in this way, most of the long-time residential appraisers in the state would have become State-Certified appraisers by default and would not now be facing this issue with FHA.

PAASD does not oppose the move by HUD-FHA to require the use of certified residential appraisers for their appraisal assignments. However, we believe that the October 1, 2009 deadline does not allow S.D. State-Licensed appraisers sufficient time to comply. The upgrade process to certified residential from licensed requires a college-level degree or equivalent educational courses, weeks of appraisal-specific education, a national examination, and navigating the upgrade requirements with the South Dakota regulator, the Appraiser Certification Program. Part of this last step includes a review of the appraiser's work product by a panel of professional screeners contracted by the state's regulatory agency – which typically takes many weeks.

South Dakota is one of the states that will be most affected by the changes mandated by HERA due to its high concentration of licensed appraisers on the FHA approved appraiser list. Therefore, we ask that our Congressional delegation seek a delay from HUD-FHA in this portion of HERA for South Dakota. Remember, our state has been designated by HUD as one of the 10 states that will be significantly and adversely affected by the suddenness of the HERA deadline. As an alternative, we ask for an exception for the South Dakota Appraiser Certification Program to make arrangements with HUD to assist those appraisers already on the FHA Roster who are licensed and qualified as they are grandfathered in as acceptable FHA appraisers without an upgrade to the certified level.

Finally, attached please find copies of several letters from the major home lenders in South Dakota who share the appraiser's concerns about the effects of HERA on the consumer's access to home financing in the state.

Thank you for your commitment to the state of South Dakota. We look forward to your reply.

Sincerely,

Rita Washechek
2009 President, PAASD