



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

April 9, 2018

Lori Schuster  
Management and Program Analyst  
Appraisal Subcommittee  
1401 H Street NW, Suite 760  
Washington, DC 20005

Dear Ms. Schuster:

The Conference of State Bank Supervisors (“CSBS” or “state regulators”)<sup>1</sup> appreciates the opportunity to provide comments in response to the Appraisal Subcommittee’s (ASCs) receipt of a request from TriStar Bank (CERT #35417) for a temporary waiver of appraiser certification or licensing requirements as authorized by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA).<sup>2</sup>

State bank regulators are the chartering authority and primary regulator for 79% of the nation’s banks, a figure that represents 4,458 banks with over \$5.7T in assets. In addition, state financial services regulators are the primary regulator for over 20,000 non-bank financial services providers, including non-bank mortgage lenders and servicers. The majority of banks supervised by state regulators are community banks, with 93% of state-chartered banks currently satisfying the FDIC’s research definition of a community bank.<sup>3</sup> According to FDIC data, a community bank is often the only financial service provider available in many rural counties within the United States.<sup>4</sup>

We believe the case before the ASC deserves careful consideration and understanding of the impact on consumers and the local economy. State regulators, banks, and other stakeholders raised concerns regarding limited appraiser availability multiple times throughout the regulatory review process required by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). Following the EGRPRA review, the agencies issued an *Advisory on the Availability of Appraisers* and encouraged banks to make use of the waiver process.<sup>5</sup> Despite the rarity of waiver applications, state regulators believe that limited availability of qualified appraisers in numerous markets is impacting the ability of many

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<sup>1</sup> CSBS is the nationwide organization of state regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS supports the state banking agencies by serving as a forum for policy and supervisory process development, by facilitating regulatory coordination on a state-to-state and state-to-federal basis, and by facilitating state implementation of policy through training, educational programs, and exam resource development.

<sup>2</sup> Title XI of FIRREA requires the use of State licensed or certified appraisers in “federally related” transactions.

<sup>3</sup> FDIC Community Banking Study Reference Data, available [here](#).

<sup>4</sup> According to the FDIC CB Research Study, there are more than 600 U.S. counties where consumers would not have physical access to a bank if it were not for a community bank.

<sup>5</sup> See [here](#) for FDIC’s FIL-19-2017, [here](#) for OCC’s Bulletin 2017-19, and [here](#) for the Federal Reserve’s SR 17-4.

banks to fulfill the credit needs of the communities they serve. While the waiver process is not a long-term, permanent solution, state regulators encourage the ASC to give due consideration to waiver requests submitted by all interested parties to address a problem impacting local communities throughout the United States.

In recent years, state regulators have observed how limited appraiser availability in regions across the country is leading to significant delays in the home purchase process. CSBS and the Federal Reserve system conduct regular outreach to community banks in connection with the annual Community Banking in the 21<sup>st</sup> Century Research Conference. Conversations with bankers across the country have illustrated that limited appraiser availability exists in many states and is most prevalent in rural areas.<sup>6</sup> The *number* of available appraisers is just one factor to consider in evaluating appraiser availability. Community banks operating in certain markets may experience problems with appraiser availability if most appraisers are working exclusively for one company or are otherwise not available to banks.

While there are multiple reasons for the availability problem, state regulators believe that certain credentialing and licensing requirements set by the Appraiser Qualifications Board (AQB or Board) are creating a barrier to entry into the appraiser profession. State regulators have previously recommended that the AQB rescind a 2015 revision to Residential and General Appraisers Certification Criteria that requires appraisers to meet certain post-secondary education requirements. As the AQB considers steps that can be taken to address the appraiser shortage, state regulators strongly encourage the Board to adjust this requirement to help ensure that it is not impeding credit availability in the marketplace.

Post-secondary education requirements have prevented interested, capable persons from entering the appraisal profession resulting in some rural counties having no more than one Certified General Appraiser. For example, in Hughes County, South Dakota (which includes Pierre, the state capital), where there is only one Certified General Appraiser, an individual holding an Associate's Degree in Agricultural Studies would be unable to attain proper credentialing to evaluate collateral associated with real estate transactions secured by farmland. It is in part due to these requirements that banks and consumers experience delays and additional costs as banks are forced to rely on appraisers from outside their market area.

The public hearing and action by the ASC will serve to heighten awareness of this critical issue. Until a longer-term solution is established, the waiver option has the potential to provide much needed temporary relief in areas with limited appraiser availability. State regulators are committed to working with the ASC and FFIEC member agencies to find a long-term solution to the appraiser availability problem that is impacting many areas of the country.

Sincerely,

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<sup>6</sup> Information regarding the conference, along with the corresponding publications and state observations on qualified appraisers, is available [here](#).



John Ryan  
President & CEO