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**STATEMENT OF
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APPRAISAL SUBCOMMITTEE
OF THE
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL**

**BEFORE THE
UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON FINANCIAL
SERVICES SUBCOMMITTEE ON
HOUSING AND INSURANCE**

**HEARING ON
MODERNIZING APPRAISALS: A REGULATORY REVIEW AND THE FUTURE OF
THE INDUSTRY**

NOVEMBER 16, 2016

I. Introduction

As Executive Director of the Appraisal Subcommittee (ASC), I appreciate the opportunity to address the Subcommittee on the Federal appraisal regulatory structure and respond to the specific discussion topics as requested. This statement will first provide history of the appraisal regulatory structure and the creation of the ASC in response to the savings-and-loan crisis of the 1980s. Next, the statement will describe the ASC's core functions and operations pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI). The statement will then discuss the impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) on the appraisal regulatory system. The Dodd-Frank Act amendments to Title XI authored by former Members of Congress Judy Biggert and Paul Kanjorski changed numerous provisions related to the ASC's operations, role and responsibilities. Finally, the statement will respond to the specific discussion topics as requested.

II. History of the Appraisal Regulatory Structure

Title XI created the ASC as an entity within the Federal Financial Institutions Examination Council (FFIEC), although the ASC for the most part operates independently of the FFIEC. In general, the ASC oversees the real estate appraisal regulatory framework as it relates to federally related transactions. The Federal and State appraisal regulatory framework governing federally related transactions includes any real estate-related financial transaction that a Federal financial institutions regulatory agency¹ or an institution regulated by such an agency engages in or contracts for, and requires the services of an appraiser.²

Following the savings-and-loan crisis of the 1980s, Congress passed Title XI to address identified weaknesses in the appraisal profession and the credibility of real property appraisals

¹ The Federal financial institutions regulatory agencies consist of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the Comptroller of the Currency.

² Title XI § 1121 (4), 12 U.S.C. 3350, as amended.

supporting the lending activity of federally regulated institutions. Title XI recognized the need for uniform appraisal standards and minimum qualification criteria for appraisers. Prior to Title XI, appraisers were, for the most part, unregulated at either the Federal or State level. There was no generally accepted set of uniform appraisal standards. Congress found that the appraisal profession was fragmented with only one third of appraisers having a membership with a professional appraiser organization. Congress also found that those professional appraiser organizations disciplined their members on an infrequent basis.³ Today, still only roughly one third of appraisers are members of professional appraiser organizations. The federal financial institutions regulatory agencies had broad safety and soundness guidelines requiring regulated financial institutions to consider the nature and value of a loan's collateral. Title XI sought to address this situation with an emphasis on the importance of appraisals to support safe and sound real estate lending activity of federally regulated institutions and to protect Federal financial and public policy interests in real estate transactions.

Title XI created a unique regulatory framework for real estate appraisals and appraisers that involves Federal, State and private entities:

- At the Federal level, the ASC provides Federal monitoring, support and oversight to both the private and State entities, while the Federal financial institutions regulatory agencies are responsible for prescribing appropriate standards for the performance and use of real estate appraisals in connection with federally related transactions under their jurisdiction.
- At the State level, State regulatory agencies are responsible for the certification, licensing and supervision of appraisers.
- On the private side, the Appraisal Foundation (Foundation), a private non-profit corporation, is responsible for promulgating uniform appraisal standards and minimum

³ Title XI 48th Congressional Report by the Committee on Government Operations (Sept 25, 1986).

real property appraiser qualification criteria. The Foundation serves as the parent organization for two boards established to accomplish this mission: the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB). These boards respectively promulgate and maintain the Uniform Standards of Professional Appraisal Practice (USPAP) and the Real Property Appraiser Qualification Criteria (AQB Criteria).⁴ In turn, the ASC is authorized to provide grant funding to defray costs associated with these two boards.

III. ASC Core Functions and Operations

Pursuant to Title XI as amended, the ASC monitors the requirements established by States for the certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions. Specifically, States must adopt and/or implement all relevant AQB Criteria for the certification and licensing of appraisers.

Title XI requires the ASC to monitor both the requirements established by the Federal financial institutions regulatory agencies (agencies) with respect to appraisal standards for federally related transactions under their jurisdiction, and the agencies' determinations as to which federally related transactions under their jurisdiction require the services of a State certified or licensed appraiser. Pursuant to ASC policy, ASC staff meets annually with member agency representatives for a briefing on the public actions taken by the agency. The results of those briefings are reported in the ASC's annual report to Congress.

The ASC is further required to monitor and review the practices, procedures, activities and organizational structure of the Foundation. In monitoring the Foundation, ASC staff attends all public and private meetings of the Foundation boards, including their Board of Trustees. ASC

⁴ The AQB Criteria establish the minimum requirements for credentialing of appraisers qualified to perform appraisals for federally related transactions, including education (for initial qualification and continuing), experience and examination.

staff also reviews and comments on proposed and final published documents regarding the AQB Criteria and USPAP when appropriate. ASC staff also attends meetings of the Appraisal Practices Board (APB) as part of the responsibility to monitor activities of the Foundation. No grant funds are awarded to the APB as Title XI only authorizes grants to the Foundation for the work of the ASB and AQB.

The ASC is required to maintain a National Registry (Registry) of State certified and licensed appraisers who are eligible to perform appraisals for federally related transactions. Through the Registry, State and Federal regulators, lenders and consumers can determine whether an appraiser holds an active credential in good standing with the State, the type of credential and the State disciplinary history for that appraiser. The Registry became operational in 1992 and is available on the ASC website (www.asc.gov). Over the years, system enhancements have been made to the Registry to improve public access. The Registry allows authorized and properly trained personnel from each State to update, in real time, a State's Registry submission and disciplinary actions taken against its licensed or certified appraisers. The Registry contains approximately 96,500 appraiser credentials which represent approximately 79,000 individual appraisers. The ASC is in the process of developing a unique identification number for each appraiser on the Registry. Once fully implemented in all 55 States (*i.e.*, 50 States, District of Columbia and four Territories), the identification number will link appraiser credentials on the Registry so that an appraiser's credential in one State will be linked with that same appraiser's credential in any other State. It will also allow the ASC to discontinue use of personally identifiable information and improve the consistency and reliability of the Registry.

The ASC is solely funded by the Registry fees. In order to be on the Registry, appraisers pay an annual \$40 Registry fee. That fee is paid to the State and passed through to the ASC.

Pursuant to Title XI, amounts appropriated for or collected by the ASC shall be used, among other things, “to make grants in such amounts as it deems appropriate to the Foundation, to help defray those costs of the Foundation relating to the activities of the Appraisal Standards and Appraiser Qualifications Boards.”⁵ Since making its first grant in 1992, the ASC has made over \$20 million in grant funds available to the Foundation. The grant defrays the expenses of grant-eligible activities such as the development and maintenance of USPAP, the AQB Criteria and the National Uniform Licensing and Certification Examinations. The Foundation submits an annual grant request to the ASC for grant-eligible activities of the ASB and AQB and is reimbursed for grant-eligible activities on a monthly basis. Further, the ASC engages an independent public accounting firm to review the Foundation’s grant-eligible activities and the monthly reimbursement requests.

The ASC also provides grants to the States as required by the Dodd-Frank Act. At this time, the State grant is for the development, presentation and hosting of State Investigator Training Courses. The courses, which are developed jointly by the Foundation, the States, and the ASC staff and administered by the Foundation, provide training to assist States in investigating complaints against appraisers. The courses cover topics such as USPAP and proper investigative techniques, include three course levels, and provide resources to aid the States in their processing of complaints against appraisers. Since the introduction of the courses in 2009, they have been well attended and highly rated by the students. They appear to have a positive impact on the States’ compliance with Title XI, particularly in improving the timely resolution of complaints. Investigator training is an excellent example of the successful partnership that has developed and strengthened over the past 25 years between the States, the private sector and the ASC.

⁵ Title XI § 1109 (b) (4), 12 U.S.C. 3338, as amended.

A key responsibility of the ASC is to monitor and assess State appraiser regulatory programs for compliance with Title XI. State appraiser regulatory programs are reviewed every two years, at a minimum, through an on-site Compliance Review process. Compliance Reviews are scheduled to coincide with a meeting of a State appraiser regulatory program's decision-making body whenever possible, and are conducted over a two- to four-day period. ASC staff assesses the State appraiser regulatory programs for compliance with Title XI, ASC Policy Statements⁶ and AQB Criteria. The ASC's Compliance Review of the State appraiser regulatory programs focuses on three key components of Title XI: (1) implementation and enforcement of USPAP and the AQB Criteria; (2) adequacy of the State's statutory or regulatory authority, funding and staffing to successfully carry out Title XI-related functions; and (3) consistency with Title XI in the decisions of the State appraiser regulatory programs.

The ASC issues a final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI. In 2013, the ASC changed the rating system for assessing State compliance with Title XI from a somewhat ambiguous rating system whereby State appraiser regulatory programs were found to be either: (1) in substantial compliance; (2) not in substantial compliance; or (3) not in compliance⁷ to a clearer rating scale of: Excellent, Good, Needs Improvement, Not Satisfactory or Poor. Based on the most recent Compliance Review results, States are currently rated as follows: 18 Excellent, 24 Good, 13 Needs Improvement, and no States are rated Not Satisfactory or Poor. The improved rating system has resulted in States being encouraged to be diligent in their efforts to comply with Title XI and rewards them when they are successful.

⁶ The ASC periodically issues Policy Statements to assist the States in understanding the ASC's expectations for State appraiser regulatory programs. The Policy Statements reflect the general framework that the ASC uses in the Compliance Review process.

⁷ In Substantial Compliance – Applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified. Not in Substantial Compliance – Applies when there are one or more issues of non-compliance or violations of Title XI, ASC Policy Statements and/or AQB Criteria but the concerns do not rise to the level of "not in compliance." Not in Compliance – Applies when the number, seriousness or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violation warrant this finding.

The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the 2015 Annual Report available on the ASC website (www.asc.gov). A summary of those findings over the past two years is also included in Appendix B of the 2015 Annual Report.

Title XI authorizes the ASC to take action against a State in the case of non-compliance with an order of non-recognition. Such an order would effectively mean that federally regulated financial institutions would be unable to conduct real estate lending in a non-compliant State as institutions would be unable to employ the State's licensed or certified appraisers. Not only would federally related transactions be impacted, but the secondary mortgage market, which generally requires the services of a State licensed or certified appraiser for transactions they purchase and securitize, would also be severely and negatively impacted. For those reasons, States have had a significant incentive to comply with Title XI.

The ASC is made up of seven members as designated by the heads of the Federal financial institutions regulatory agencies, the Department of Housing and Urban Development, the Federal Housing Finance Agency and the Consumer Financial Protection Bureau. These are, for the most part, the largest and most influential federal regulators that impact mortgage and commercial real estate lending. The ASC is headquartered in Washington, DC and currently employs a staff of 12. For the 2017 fiscal year, the ASC recently approved a budget of \$3.9 million which includes \$659,000 in grants to the States and Foundation.

IV. Dodd-Frank Act Impact on the Appraisal Regulatory System

The Dodd-Frank Act included an emphasis on consumer and residential mortgage lending, recognizing that appraisals provide important information on a property, including its market value, that assists consumers in making informed borrowing decisions, as well as providing

important information for the lender to understand the risk in a real estate loan. A credible appraisal performed by an independent appraiser provides consumers with an additional safeguard against predatory lending.

With the enactment of the Dodd-Frank Act, the amendments to Title XI expanded the ASC's authority and provided additional tools for the ASC in carrying out its responsibilities.⁸

Significant changes include:

- The requirement to transmit an annual report to Congress not later than June 15 of each year that describes its activities during the preceding year. The 2015 Annual Report has been submitted to Congress and is available on the ASC website (www.asc.gov).
- Added ASC authority to take interim action against a State in the case of non-compliance with Title XI (as an alternative to, or in advance of non-recognition).
- The Dodd-Frank Act directed the ASC to establish an advisory committee of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies, and hold meetings as necessary to support the development of such regulations. In February 2014, the ASC constituted such an Advisory Committee. The Advisory Committee met four times over the next year and delivered their recommendations to the ASC in May 2015. The ASC is considering the Advisory Committee's recommendations for future rulemaking.
- The Dodd-Frank Act required the ASC to oversee State registration and supervision of Appraisal Management Companies (AMCs) and develop and maintain a National Registry of AMCs. On June 9, 2015, the Federal Reserve Board, Comptroller of the Currency, Federal Deposit Insurance Corporation, National Credit Union Administration

⁸ Title XI § 1103.

and Federal Housing Finance Agency (the Agencies) issued the final rule, Minimum Requirements for Appraisal Management Companies, to be applied by States that voluntarily elect to register and supervise AMCs. On May 20, 2016 the ASC issued a proposed Rule to implement collection and transmission of annual AMC registry fees. The comment period was 60 days and we received 103 comments. The ASC is now working on the Final Rule. After the AMC registry fee is established, the ASC will launch the National Registry of AMCs.

- The Dodd Frank Act required the ASC to establish a Hotline to refer complainants to appropriate State and/or Federal agencies that handle alleged violations of the Uniform Standards of Professional Appraisal Practice (USPAP) and/or appraisal independence requirements. The Hotline was established in March 2013. Since then, the Hotline has been used well over 18,000 times and produced over 600 referrals to Federal agencies and over 2,000 referrals to State agencies. Prior to the launch of the Hotline, consumer and other stakeholders had little way of knowing where to find the right agency or agencies to assist them with an appraisal-related complaint.
- The ASC was required to hold ASC meetings in open session after notice in the Federal Register. The ASC now holds open meetings which are frequently attended by industry observers.
- The CFPB and FHFA were added to the ASC. Given the importance of these agencies to the mortgage lending industry, adding them to the ASC has given the ASC a more well-rounded perspective on the particular appraisal issues facing consumers and mortgage lenders.

Regarding the future of appraisal oversight, it is critical that the partnership between the States, private sector and ASC remains intact. Although the system has been in place for 25 years, it is still a relatively new and unique regulatory structure. In fact, it is a structure that should be viewed as model for other occupations. In the initial period following the enactment of Title XI, there was significant disagreement, and to some degree, dissension among the States, Foundation and ASC. Since that time, a great deal of effort has been made to strengthen these relationships and it has been effective. Today, all three stakeholders meet regularly and work together on various projects and issues. Examples include collaboration between the States, the Foundation and the ASC on State investigator training as discussed above, and in 2013, the collaboration to develop a “Voluntary Disciplinary Action Matrix” in an effort to promote more consistent disciplinary guidance for appraiser regulatory programs. It was very well received by the States, and although not required, it is frequently used by States as a gauge to determine if their discipline is similar to other States.

V. Discussion Topics

- Explore alternative home valuation methods that could simplify the home buying process:
 - Alternative valuation methods have been used in mortgage lending for many years. For example, for select transactions, the GSEs use alternative valuation products (e.g. proprietary automated valuation models) and have used these products for close to 20 years. The use of differing appraisal/valuation products

in the mortgage lending process should be tied to the risk characteristics of a loan. As more and more appraisal/property data is collected and becomes available to appraisers and others, opportunities for new and improved streamlined valuation products are likely to be developed. Nonetheless any statistical model will, lack expert judgement, and by the nature of modeling itself, be incorrect a certain percentage of the time. When statistical models are applied to a population of loans the errors of over- or under- valuation will offset one another. Any error, of course, will not be offset if applied to a single transaction.

- Care should be taken not to over emphasize the simplicity of the home buying process. A home is the largest purchase in many consumers' lifetime and many consumers rely on industry professionals for assistance. Virtually all of these professionals profit from the transaction based solely on its outcome. The appraiser, on the other hand, is the only independent professional in the transaction who is not compensated based on the value or the outcome of the transaction. Adequate protection of the consumer and the safety and soundness of the U.S. financial system should be the primary concern.
- Address the appraiser shortage and the impact of licensed versus certified appraiser requirements:
 - I am not aware of any definitive studies or data that indicate there is a systemic shortage of appraisers on a national basis. Certain parts of the country (e.g. Oregon, Washington, and Colorado) and some rural markets have reported a significant surge in demand due to local economic factors. However, there has yet to be a study completed that reveals the reasons for these localized supply and

demand issues. ASC staff has continually worked closely with all the States over the past 25 years. During that time span, ASC staff has become aware of localized appraiser supply and demand issues in various parts of the country at different times. For example, significant decreases in interest rates frequently lead to surges in demand and extended appraisal completion times. Those problems have been largely temporary, and once the market cools, supply and demand returns to normal. In fact, nationally, an oversupply of appraisers has been a more common complaint than a shortage. Even today, there may be an oversupply of appraisers in certain areas. During the Compliance Review process, States for the most part have indicated they believe any current shortages of appraisers is temporary and due to historically low interest rates or other local economic factors.

- I am, however, concerned about the lack of entrants into the appraisal profession versus the numbers of appraisers retiring or leaving the profession for other reasons. This has been a trend for several years now and could lead to shortages in the future. Trainee appraisers are required to find mentors with whom they must apprentice and experienced appraisers may be reluctant to train new appraisers. The AQB is currently proposing various approaches to ease the minimum qualification criteria required to obtain a license or certification.
- Many appraisers often refuse mortgage lending assignments due to what they feel is inadequate compensation and other work related conditions or issues.
- In 2008, Congress passed the Housing and Economic Recovery Act (HERA). This Act barred FHA from accepting appraisals performed by licensed appraisers.

It is not uncommon for licensed appraisers to be located in and perform rural appraisal assignments. Those appraisers may also engage in other professional activities, such as real estate sales, due to the lower number of transactions in those markets as compared to suburban and urban markets. Since appraisal is not their primary or only source of income, many of these licensed appraisers never saw the need to move up to become a certified appraiser. Since HERA, many lenders have followed suit and will not allow licensed appraisers (or trainee appraisers) to perform appraisals for their institutions. As a result, approximately 8% of the appraiser population has effectively been eliminated from the mortgage lending process.

- Apply and set the de minimis value threshold required for Federally Related Transactions:
 - The Federal financial institutions regulatory agencies set the de minimis threshold with CFPB concurrence based on statutory authority. Questions regarding the de minimis threshold should be directed to those agencies.
- Streamline the current federal regulatory regime
 - The current structure for appraisal regulation has become more streamlined and effective. Over the past 25 years, the partnership between the Foundation, States and ASC has grown and developed into an excellent example of how the private sector, States and federal government can work together toward a common goal. In the case of appraisal regulation, that goal as stated in Title XI, is to protect public policy interests in federally related transactions. The ASC recognizes the

importance of a streamlined regulatory regime. To that end, over the past several years the ASC has:

- Revised and issued new Policy Statements providing clear and concise guidance to State appraiser regulatory programs for compliance with Title XI.
- Implemented a new and improved rating system with clearer metrics that provides an incentive for States to improve their programs and strive for excellence.
- Implemented a revised Compliance Review Report format with clear and direct feedback to State regulators.
- Reduced Compliance Review turnaround times from over 200 days on average to less than 60 while maintaining a quality process.
- Improved the functionality of the National Registry of Appraisers. The National Registry was upgraded several years ago to allow users of appraisal services to download the Registry data electronically. This has significantly improved the usefulness of the Registry and the speed of downloading data into user's own applications. Since the upgrade, hits on the Registry have increased over 100% to roughly 1.2 million hits per month.

Related areas that could be streamlined or improved:

- Standardize the varying requirements placed on appraisers by the GSEs, FHA, VA, and the Federal financial institutions regulatory agencies. New appraisal report forms should be developed that only require the appraiser to provide relevant and less superfluous information. New report forms could be developed that would provide more meaningful data analysis for lenders and the secondary market.
- Stabilize appraisal standards and the minimum qualification criteria for credentialing of appraisers with less frequent change. Regulators (State and Federal), lenders and appraisers should partner to develop new appraisal/valuation products that utilize the data that is now being collected by the GSEs and others. Currently that data is largely used as a tool for quality control of appraisals.
- Lenders and regulators should reconsider how appraisals are used in the 21st century mortgage lending market place. Requiring an appraisal to provide one specific value creates a barrier to lending that need not exist. Appraisers should be able to provide a reasonable range of value that would allow the lender to appropriately assess risk. Currently, the value in the appraisal may be slightly less than the value needed to “make the deal work.” This may result in a low risk transaction being denied, or the borrower may have to put more money down, or in the case of a purchase transaction, the seller could be asked to reduce the negotiated contract price.

- Finally, please discuss whether the current federal regulatory system – including the Appraisal Subcommittee – should be replaced with a State-based regulatory structure and what impact such a change would have on consumers and the mortgage finance system.
 - Over the past 25 years, the current appraisal regulatory structure has developed into a cohesive system that draws on the strengths of the States, private sector and Federal government. The system also relies on appraisers to regulate other appraisers. For example:
 - Most States have appraisers on their Board and/or their staff.
 - The Foundation relies on appraisers to populate their Boards.
 - The ASC, as a result of the Dodd-Frank Act, is now required to have at least one appraiser on its Board.
 - The ASC, is fully funded by appraiser paid National Registry fees to support the work of the ASC, as well as providing the resources for significant grants to the States and Foundation.
 - Removing the Federal regulatory structure and replacing it with a State-based regulatory system would greatly complicate, not streamline the system. It would likely increase costs to consumers and lenders and unnecessarily burden the mortgage finance system for the following reasons:
 - The current structure includes uniform standards and minimum qualification criteria established by the ASB and AQB respectively, and enforced by the ASC. States must implement or adopt these uniform

standards and minimum qualification criteria. As a result, States share a common baseline and are, in large part, prevented from establishing greatly varied statutes and regulations that apply to appraisers, and by extension, to mortgage lenders.

- Without the federal underpinning, over time, States would likely implement significantly dissimilar approaches to appraisal regulation which could increase regulatory burden and costs on companies involved in mortgage lending on a multi-State basis. This could also lead to increased safety and soundness concerns for financial institutions as they would be forced to manage inconsistent and varied appraisal-related statutes and regulations across the country. This might unravel the long-held objective of making mortgage loans fungible in order to be able to sell loans to investors, which in turn, provides a stream of needed funding for new loans across the U.S.
- A State based regime may complicate the GSE and securitization market, which favor standardization. As a result, investors may perceive more risk which could negatively impact the pricing of securities.
- Efforts of organizations such as the Mortgage Industry Standards Maintenance Organization (MISMO) to standardize the data elements used in residential and commercial property transactions could be significantly set back.

- There are numerous examples of States creating differing statutes and regulations in areas outside of Title XI. For example, lenders and AMCs frequently complain that appraisal reviews are not covered by Federal law and the States regulate appraisal reviews in various ways. Some States require that an appraisal review be performed by someone credentialed in the State where the subject property is located. Other States only require a credential when the appraisal review includes an opinion of value (an appraisal). And, some States have no statutes or rules regarding appraisal reviews. Another example is evaluations. Although allowed by the Federal banking agencies in certain cases, evaluations are not covered by Federal law. Therefore, States have varying requirements for evaluations, including barring their use or essentially requiring that an evaluation be performed as an appraisal by an appraiser. The varying laws and regulations by States add to the level of confusion. Confusion creates uncertainty which leads to added regulatory burden and expense.
- Another good example is in the area of licensed appraisers. Prior to the Dodd-Frank Act, States did not have to comply with minimum requirements established by the AQB. This led to inconsistent requirements in the States for licensed appraisers and confusion among the stakeholders. Licensed appraisers were perceived to be less competent and more likely to be involved in fraud or misrepresentation. Ultimately several States removed the licensed category and Congress, in 2008,

barred FHA from accepting appraisals from licensed appraisers. This is a perfect example of the chaos that could ensue without a Federal baseline.

VI. Conclusion

Without the uniform standards and minimum qualification criteria promulgated by the Foundation and enforced by the ASC, States would very likely institute significantly disparate requirements leading to an increase in regulatory burden, expense and uncertainty for lenders, appraisers and others that have a multi-State business model. While I fully appreciate and support States' rights to govern themselves and regulate occupations that practice within their States, I also recognize the importance of having a national minimum baseline for appraisal standards and appraiser qualifications to facilitate commerce. Dismantling the system could lead to unintended consequences such as increased mortgage lending costs for lenders and consumers as well as an increased potential for added risk and fraud in real estate lending transactions. In conclusion, the appraisal regulatory system envisioned by Congress in 1989 and implemented in 1991 has developed into an excellent example of cooperation between the States, private sector and Federal government all working toward a common goal; broadly speaking, public trust in the appraisal profession.