

how HUD would determine whether state licensing/certification requirements comply with AQB criteria, since both the state requirements and the AQB standards are subject to periodic change. Accordingly, states that comply with the current AQB criteria may later fall out of compliance due to changes adopted by the AQB or the state legislature. To address these concerns, one of the commenters suggested that an appraiser be eligible for inclusion on the Appraiser Roster if the state requirements conformed to the AQB criteria in effect at the time the appraiser obtained the license or certification. Two other commenters recommended that the final rule focus on whether individual appraisers comply with the AQB criteria, rather than on whether state requirements are in compliance with these standards.

HUD response. HUD will periodically monitor the compliance of the states with the minimum AQB requirements to ensure that all appraisers included on the Appraiser Roster meet these standards.

Comment: How will HUD treat appraisers who received their AQB license or certification through "grandfathering?" Several commenters questioned the impact of the proposed rule on "grandfathered" appraisers who received their licensing or certification prior to the state's adoption of AQB criteria. Two of the commenters recommended that HUD immediately remove such appraisers from the Appraiser Roster and require them to re-apply and demonstrate compliance with the AQB requirements. However, other commenters cautioned against such removals. One of these commenters suggested that "grandfathered" appraisers should instead be allowed to remain on the Appraiser Roster if they can provide a letter from the state appraiser licensing agency attesting that the appraiser satisfies the AQB criteria.

HUD Response. The final rule provides that appraisers, including the "grandfathered" appraisers mentioned by the commenters, who are included on the Appraiser Roster on the effective date of this rule, but who do not meet the minimum AQB licensing/certification criteria in effect on that date, have 12 months following the effective date of the final rule to fully comply with the AQB criteria and submit evidence of such compliance to HUD. Failure to submit such evidence to HUD by the deadline date constitutes cause for removal from the Appraiser Roster. The phase-in period does not restrict HUD's ability to remove unsatisfactory appraisers from the

Appraiser Roster for any other cause identified in § 200.204.

Comment: Will HUD remove appraisers licensed or certified in states that do not currently meet the AQB criteria? One commenter posed this question.

HUD Response. As noted in the response to the preceding comment, HUD will allow such an appraiser to remain on the Appraiser Roster for 12 months following the effective date of the final rule, at which time the appraiser must be in full compliance with the AQB criteria.

Comments: AQB requirements should be "phased-in." One commenter wrote that the proposed AQB requirements should be "phased-in" to provide appraisers with sufficient time to satisfy these criteria.

HUD Response. HUD agrees with the commenter. As noted, an appraiser currently included on the Appraiser Roster, but who does not meet the minimum AQB licensing/certification criteria in effect on that date, has 12 months following the effective date of the final rule to fully comply with the AQB criteria and submit evidence of such compliance to HUD. Failure of the appraiser to submit such evidence to HUD by the deadline date constitutes cause for removal from the Appraiser Roster. The phase-in period does not restrict HUD's ability to remove an unsatisfactory appraiser from the Appraiser Roster for any other cause identified in § 200.204.

Comment: HUD should identify those states whose licensing and certification requirements do not meet AQB criteria. One commenter made this suggestion.

HUD Response. The Appraisal Subcommittee is the official authority for determining and identifying each state's compliance with the AQB criteria.

Comment: HUD's use of the phrase "professional credentials" may be inappropriate. One commenter wrote that the proposed rule's use of the phrase "professional credentials" when referring to the AQB criteria is inappropriate. According to the commenter, the term "professional credentials" is commonly understood by appraisers to refer to designations earned within professional membership organizations. The commenter wrote that reference in the proposed rule to this phrase is misapplied if used to apply to the gap between a state's licensing and certification criteria and the minimum AQB criteria. The commenter recommended that HUD create a more appropriate phrase to identify this concept.

HUD Response. HUD has revised the proposed rule to be more sensitive to the issues raised by the commenter. The final rule refers to "credentials," rather than "professional credentials."

B. Other Comments Regarding Qualifications for Placement on the Appraiser Roster

Comment: Appraisers should be required to have at least two years experience as licensed or certified appraisers for placement on the Appraiser Roster. One commenter made this suggestion. According to the commenter, FHA appraisals are often more complicated than those for conventional mortgage loans, and thus require additional experience. The commenter wrote that in comparison to conventional appraisals, FHA appraisals require a higher degree of skill and more knowledge of construction, depreciation, cost estimating for repairs, and estimating the useful and remaining life of residential improvements and equipment.

HUD Response. At this time, HUD does not plan additional changes to the experience requirements for placement on the Appraiser Roster. Rather, HUD will rely on the AQB experience criteria. HUD believes that the AQB standard is sufficient to ensure that appraisers included on the Appraiser Roster have the necessary experience to perform FHA appraisals.

Comment: HUD should determine whether an appraiser has been subject to state disciplinary action before approving the appraiser for placement on the Appraiser Roster. Two commenters made this recommendation. The commenters wrote that HUD might consider using the National Registry of Appraisers maintained by the Appraisal Subcommittee for this purpose. However, one of the commenters cautioned that the National Registry may be inadequate and suggested that HUD should consider establishing its own independent verification methods.

HUD Response. The change requested by the commenters is outside the scope of the November 30, 2001, proposed rule and would require additional notice and comment prior to implementation. At this time, HUD does not plan additional changes to the requirements for placement on the Appraiser Roster. HUD believes the current placement procedures are adequate to ensure that appraisers included on the Appraiser Roster are competent to perform FHA appraisals.