

Federal-level rules for appraisals circulated in draft form by OMB

By Elizabeth Razzi

The administration's Office of Management and Budget is circulating among federal offices a draft proposal that would require real estate appraisals used in federally related credit transactions to conform to appraisal industry standards and would require eventually the use of state-certified appraisers.

The proposed rules would affect lenders who participate in the government's direct guaranteed- or insured-loan programs, including FHA, VA and the Farmers Home Administration, as well as Ginnie Mae. It is possible the provisions could also apply to conventional loans underwritten by feder-

ally insured lenders, NAR analysts noted.

The OMB proposal would require that all real estate appraisals for affected transactions be conducted in accordance with industry standards issued by the Appraisal Foundation. The foundation is a private organization founded by the eight major appraisal associations, including NAR's affiliate, the American Institute of Real Estate Appraisers.

The proposal also would require federal agencies to establish standards for selection of appraisers, laying out minimum experience and education requirements.

Also, the proposal states that "agencies shall determine which transactions after July 1, 1991, shall be accompanied by a certified appraisal." It defines a certified appraisal as one prepared by someone who has satisfied the Appraisal Foundation's certification requirements and has passed a written exam administered by a state.

An OMB spokesperson said comments are being accepted from affected federal agencies through early August.

NAR government affairs staff met with OMB officials last week to review the proposal. In particular, NAR encouraged OMB to change its definition of certified appraisal to strike the certification provision or allow states to set their own definitions of the term "certified appraisal."

Separately, the U.S. House of Representatives Committee on Government Operations is scheduled to take up appraisal legislation on Aug. 9. The bill, introduced by Rep. Doug Barnard, D-Ga., would require the federal agencies to use certified appraisers and appraisal standards developed by the Appraisal Foundation.

Members of an NAR task force on appraisal regulation are scheduled to meet in Chicago Aug. 4-5 to review congressional and administration proposals.

In addition to the Appraisal Institute, the following organizations were founders of the Appraisal Foundation: the Society of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, National Society of Real Estate Appraisers, National Association of Independent Fee Appraisers and the International Right of Way Association.