

# TALCB *Bulletin*

TALCB was created by an act of the Texas Legislature in 1991 to license, certify and regulate real estate appraisers in Texas under state and federal laws. In 2011, TALCB's jurisdiction was expanded to register and regulate appraisal management companies.



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## LOOKING AT APPRAISAL REVIEWS

A growing number of appraisers are being asked to perform appraisal reviews as part of his or her appraisal practice. In many cases the client provides a scope of work for the appraiser (reviewer) to follow as well as a prescribed report format. In such instances the reviewer must take care that both the review process and report are in compliance with Uniform Standards of Professional Appraisal Practice (USPAP) applicable to the review's intended use.

Under USPAP's definitions an appraisal review is defined as: "the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an

appraisal or appraisal review assignment." The comment section further clarifies the definition by providing "the subject of an appraisal review assignment may be all or part of a report, work file, or a combination of these." If the appraisal review assignment is to only check for factual compliance (no opinion being offered as to the quality of the work), the appraiser would not be covered under USPAP's Standard 3, however the definitions and applicable USPAP rules would still apply to their work. On the other hand, if a Texas licensed appraiser is developing and communicating an opinion as to the quality of another appraiser's work all of USPAP would apply, including Standard 3.

*See "Appraisal Reviews" on page 2*

### MARK YOUR CALENDARS!

*1<sup>st</sup> Annual Texas Residential Realty Summit*

Hosted by Texas Real Estate Commission, Texas Appraiser Licensing and Certification Board, Real Estate Center at Texas A&M, and Texas Association of REALTORS

#### **"INSIDE THE RESIDENTIAL TRANSACTION WITH INDUSTRY PARTNERS"**

Hear interactive panels of experienced industry and regulatory professionals discuss current issues and trends affecting successful closing of single family residential transactions.

#### **WHEN**

**FRIDAY, FEBRUARY 10, 2017  
1 TO 4 PM**

#### **WHERE**

**HYATT REGENCY HOTEL  
208 BARTON SPRINGS ROAD  
AUSTIN, TX 78704**

FOR MORE INFORMATION & TO [REGISTER](#), PLEASE VISIT THE [TALCB WEBSITE](#) OR [WWW.RECENTER.TAMU](#)

## *Appraisal Review* continued from page 1

USPAP's Standard 3 covers both the development and communication of an appraisal review. While the subject of the assignment is a review of another appraiser's work, the development requirements are very much like those for an appraiser under Standard 1. Standard 3 states: "An appraiser acting as a reviewer must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review." Likewise, the communication requirements mirror those of Standard 2: "In reporting the results of an appraisal review assignment, an appraiser acting as a reviewer must communicate each analysis, opinion, and conclusion in a manner that is not misleading." The issue facing the reviewer is to determine, for a stated intended use (e.g. USPAP compliance), whether their scope of work will produce a credible review and are they able to communicate the results in a manner not misleading.

TALCB is seeing a number of instances where this may not be occurring. In these reviews the scope of work, as required by the client, restricts the review process to the "four-corners" of the appraisal report. The reviewer is not permitted to research the market or verify the facts or analysis provided in the appraisal report. An extraordinary assumption is made stating the review is being performed under the assumption the information and analysis in the appraisal report is accurate and correct (without verification).

Standards Rule 3-3 states: "In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques that are necessary for credible assignment results." It further states in a comment: "Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review ...". For reference we should note that USPAP's Standards Rule 3-2(e) states among other requirements that to use an extraordinary assumption in a review assignment the reviewer must have a reasonable basis for the extraordinary assumption and that its use results in credible analysis.

In the above example, the intended use is to determine whether the appraisal/appraisal report complies with USPAP. The client-provided scope of work restricts the reviewer from independent and necessary research and/or verification. As a condition of the assignment the reviewer is also required to use a prescribed review form for communicating assignment results. Faced with these restrictions the reviewer must answer two questions. First, how will I be able to comply with the stated scope of work and still produce a credible review for the intended use? Second, can I use the required form and communicate the appraisal review in a manner that is not misleading? The answer may be "no" to one or both questions.

In examining the reviewer's options, the reviewer has been presented with a mandated scope of work which restricts the ability to "look" outside of the appraisal report. Attempting to compensate for this with the extraordinary assumption that the information and analysis as stated in the report is accurate and correct is not possible as it results in a review which is not credible by defeating the intent of the assignment; independent confirmation of the appraisal's USPAP compliance. If the reviewer also uses the mandated form with its flawed scope of work, the reviewer has compounded his or her USPAP issues by communicating a misleading report. If the above is the case the reviewer would be required to modify the review's scope of work to produce credible results and revise the report to not be misleading. If either is not possible the reviewer should consider withdrawing from the review assignment.

It is paramount that the scope of work performed by the reviewer produce credible results for the intended use. Equally important is not communicating the results in such a way as to mislead the intended user(s). The above only scratches the surface of the responsibilities of the reviewer under Standard 3. An appraiser acting as a reviewer should become familiar with the requirements of Standard 3 to avoid USPAP compliance problems.

## FROM THE COMMISSIONER



**Douglas E. Oldmixon**  
**Commissioner**

2017 is well underway, and the Board and its staff are very busy furthering the mission of the agency. Here are a few highlights of current events.

We welcomed our “field force” of investigators into the office at the end of January for an annual Enforcement Conference. This training event is a valuable opportunity for us

to implement process and technology improvements, while also receiving essential feedback from our experienced front line team. It also allows the investigators from the Commission and Board to share “best practices” that might assist each group to learn key lessons from the successes of the other. A great tradition continues.

The Board is preparing for its next meeting on Thursday February 9<sup>th</sup>. In addition, on Friday February 10<sup>th</sup> from 1 to 4 PM, TALCB, TREC, TAR and the Real Estate Center at Texas A&M are cohosting the 1<sup>st</sup> Annual Residential Realty Summit at the Hyatt hotel in Austin. This event will feature two panel discussions moderated by Board Chair Jamie Wickliffe and Commission Chair Avis Wukasz that will explore current issues affecting residential real estate transactions — including valuation related issues that impact the single family real estate market. The primary objective of the Summit is to identify major barriers and potential solutions from an interdisciplinary perspective. Follow the link on our website homepage for more information and to register to attend. ACE credit is available.

The Board continues to assess the potential impact of federal regulatory changes underway and on the horizon as a new federal administration asserts its priorities. Hearings held last

Fall in Washington DC highlighted the need for significant reevaluation of the real estate appraisal regulatory structure. We anticipate that promised changes to Dodd-Frank and the CFPB will require future adjustments in Texas laws and rules. In the meantime, with the Legislature currently in session, we anticipate some clean-up bills to be advanced that will update Chapter 1104 and may also affect Chapter 1152. We will watch carefully to ensure we are ready for any changes that may affect matters under the Board’s jurisdiction.

The Board’s staff is preparing for the annual visit of our assigned examiner from the FFIEC’s Appraisal Subcommittee (ASC). You may recall that last February the Board received a sterling report from ASC in their biennial oversight visit. This year’s visit is simply a progress check to help us remain fully informed on developments in federal regulations and ensure we are on track for a repeat performance next year.

In conjunction with the Real Estate Center at Texas A&M, the Hobby School of Public Affairs at the University of Houston has completed a survey of TREC and TALCB license holders. The first such survey conducted in over a decade, the final report examines attributes, attitudes and practices of current real estate related license holders. This now represents a baseline of data that can be explored to better understand the needs and expectations of this class of professionals so our agency can adjust where warranted to meet legitimate developments in ways that align with our mission of consumer protection. This survey will be repeated every four years to assist the agency to remain responsive and relevant. The survey report may be accessed from a link on the website home page of both TREC and TALCB.

I trust that you can see from this list of projects that your regulatory agency is actively working to accomplish all the various demands of our vital mission. We welcome the continued cooperation and close collaboration of our license holders and all other stakeholders. Aim high!

## REMINDER: Fingerprints Required as of January 1, 2017

As of January 1, 2017, any person applying for or renewing an appraiser license must provide their fingerprints, in a specified format, so that an FBI criminal history check can be performed. Once fingerprints are on file with the Texas Department of Public Safety (DPS), appraisers will not need to be fingerprinted for subsequent renewals but will be required to pay a subsequent background check fee at the time the renewal application is filed. Individuals who have already been fingerprinted for a real estate broker, sales agent, inspector or easement or right-of-way license will not need to be fingerprinted again for TALCB but will be required to pay a subsequent background check fee.

Any person who applied for an appraiser license

before January 1, 2017 will not need to submit fingerprints with their application. New applicants and current license holders who apply for or renew an appraiser license on or after January 1, 2017, will need to obtain and submit fingerprints with their application or renewal. To avoid delays and assure continued licensure, current license holders should get electronically fingerprinted at least three weeks before their license expiration date.

MorphoTrust is the vendor that collects and submits fingerprints to the FBI through DPS. They have no role in the actual research and processing of the criminal background checks or the delivery of its results. Please visit the [TALCB website](#) for additional instructions and information on how to get fingerprinted.

## FEE REDUCTIONS

As of January 1, 2017, the fee to register or renew Appraiser Management Companies in Texas was reduced by \$300 to \$3,000 and the fee to add or remove appraiser panelists dropped from \$10 to \$5. On the same date, the new requirement for a criminal history check went into effect for all appraisers at application or renewal. See our [website](#) for more details.

# TALCB Employee Update

**Vernis McGill***TALCB Standards and Enforcement*

Vernis joined the agency on January 3<sup>rd</sup> after working with the Texas Commission on Environmental Quality for over two years. She attended Tarleton State University where she earned her B.S. in Criminal Justice. She obtained her real estate license in 2005 and continued to actively work in real estate until 2008 when she moved to Kuwait with her husband. In 2010, Vernis went back to school to earn her paralegal certificate and M.A. in Legal Studies from Texas State University. Vernis enjoys spending time with her family, traveling, cooking, canning and trying new restaurants. If you see Vernis around the office, please stop and say hello.

**Joshua McGuire***TALCB Standards and Enforcement*

Joshua McGuire is currently assigned as a legal assistant with the Texas Appraiser Licensing and Certification Board. He is also serving as a paralegal in the U.S. Air Force Reserve. He has been a reservist for nearly 6 years. Previously, Mr. McGuire spent 3 years as a middle school mathematics teacher. He also spent over 14 years as an active duty Air Force fighter mechanic. During this time, he lived in Idaho, California, South Korea, Italy, Qatar, and finally Texas. Mr. McGuire has his bachelor's degree in Finance from the University of Oklahoma and an associate's degree in paralegal studies from the Community College of the Air Force. He has been married for over 16 years and has 3 children: ages 14, 11, and 3.

## IMPORTANT DATES TO REMEMBER

TALCB Meeting—February 9, 2017

Annual Texas Residential Realty Summit—February 10, 2017

*Check the [TALCB website](#) regularly for postings of all of our upcoming meetings.*

## Rule Actions from the November 18, 2016, Board Meeting

### 22 TAC §153.5, Fees

The proposed amendments recommended by the Enforcement Committee change the reference in the rule from the fee for an evaluation of an applicant's criminal history to the fee for an evaluation of an applicant's moral character to align the rule with statutory requirements in Chapter 1103, Texas Occupations Code, and current Board practice. PLEASE NOTE: Due to changes in the Texas Register publication schedule, the proposed amendments to this rule will not be on the agenda for adoption by the Board until the Board's next quarterly meeting in May 2017. You may continue to submit comments on the proposed amendments to this rule to [general.counsel@talcb.texas.gov](mailto:general.counsel@talcb.texas.gov).

### 22 TAC §153.19, Licensing for Persons with Criminal History

The proposed amendments recommended by the Enforcement Committee add language to the caption of the rule and change the language in subsection (f) from criminal history evaluation to moral character determination to align the rule with statutory requirements in Chapter 1103, Texas Occupations Code, and current Board practice.

### FORMS

The Board will consider changes to the Request for Criminal History Evaluation form at its meeting on February 9, 2017.

## TALCB Enforcement Actions

The Texas Appraiser Licensing and Certification Board publishes their enforcement actions regularly on [the TALCB website](#). To read the reports please go to the TALCB website and click on, public and disciplinary actions.

