



NATIONAL ASSOCIATION  
OF REALTORS®

*The Voice for Real Estate*®

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**Pat Vredevoogd Combs, ABR, CRS, GRI, PMN**  
*President*

January 17, 2007

Internal Revenue Service  
P.O. Box 7604  
Ben Franklin Station  
Washington, DC 20044  
Attn: CC:PA:LPD:PR  
Room 5203

Submitted via email: [Notice.Comments@irs.counsel.gov](mailto:Notice.Comments@irs.counsel.gov)

**Re: Notice 2006-96: Guidance Regarding Appraisal Requirements for Noncash Charitable Contributions**

To Whom It May Concern:

On behalf of the 1.3 million members of the National Association of REALTORS® (NAR), I am pleased to submit these comments on the Guidance Regarding Appraisal Requirements for Non-cash Charitable Contributions published in Notice 2006-96.

The National Association of REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, including NAR’s five commercial real estate institutes, its societies and councils. REALTORS® belong to one or more of some 1,700 local associations or boards, and 54 state and territory associations of REALTORS members and are involved in every aspect of the real estate industry -- including real estate appraisals. NAR’s Appraisal Section, has over 40,000 members. NAR urges the IRS to take care to not impose additional regulatory burdens upon appraisers involved in the valuation of real property in charitable donation transactions. Title XI of the Financial Institutions Recovery, Reform and Enforcement Act of 1989 (FIRREA) created the Appraisal Subcommittee of the Federal Financial Institutions Examinations Council (FFIEC) to monitor the requirements established by States for the certification and

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licensing of individuals who are qualified to perform appraisals in connection with federally related transactions. The IRS should take care not to duplicate or complicate the appraisal standards set by the Appraisal Foundation and its advisory boards.

NAR believes that the appraisal industry should continue to be regulated by the states in accordance with standards set by the Appraisal Foundation. This regulatory framework ensures the independence of appraisers and keeps the regulation and licensing local. Barring the presentation of any compelling evidence that the valuation of real property should not be regulated any differently than the valuation of real property in real estate transactions.

### **Title XI of FIRREA and Real Estate Appraisal Reform**

Following the Savings and Loan Crisis of the late 1980s, Congress sought to strengthen the appraisal industry by creating a regulatory framework that ensured increased competency of its members, strengthened state licensing, and regulatory oversight by the Appraisal Subcommittee. FIRREA also established the Appraisal Foundation to develop standards of appraisal practice.

#### *Strengthening the Licensing of Appraisers:*

Though appraisers are licensed at the state level, the licensing requirements must conform to standards set by the Appraisal Foundation. The Uniform Standards of Professional Appraisal Practice (USPAP), developed and periodically revised by the Foundation and its advisory committees is the industry standard by which states license appraisers.

FIRREA mandates that USPAP must be adhered to in every federally related real estate transaction, defined roughly as a transaction where the lender is regulated by one of the financial regulators. Thus, if state licensing standards do not meet USPAP standards, the Appraisal Subcommittee may refuse to recognize the licensing procedures of that state, potentially jeopardizing most real estate transactions in that state.

#### *Strengthening the Qualifications of Appraisers:*

The Appraisal Foundation has an Appraiser Qualifications Board (AQB) that periodically reviews required qualifications for appraisal practice, and when appropriate issues guidance on improving qualification standards. The AQB recently revised the qualifications criteria for 2008 that enhances training and educational requirements. The revised and improved qualifications must be adopted by the states to ensure that appraisers may engage in federally related transactions.

#### *Strengthening Appraisal Standards:*

The Appraisal Foundation also has established an Appraisal Standards Board that like the AQB periodically revises appraisal standards. The standards impact the scope of work that appraisers must complete for federally related transactions. The most recent appraisal standards went into effect on July 1, 2006.

The revised standards include a new Scope of Work Rule that sets standards for the determination and documentation of scope of research and analyses in appraisal assignments. All financial institutions subject to federal regulation must ensure that these appraisal standards are used in federally related transactions.

*Independence of Appraisal:*

FIRREA also makes clear that appraisers should not be discriminated against solely by virtue of membership in an appraisal organization. While some appraisal organizations offer certificates in specialized areas and special designations, it is important to note that these designations should not supplant AQB requirements. This provision ensured that the qualifications put forth by the Appraisal Foundation would be the standard, while special designation or membership in an organization may convey added competency above and beyond what is required. Yet this competency can also be gained through additional education and experience.

**Comments on the Guidance:**

NAR urges the IRS to streamline its real property regulations to USPAP as it pertains to generally accepted appraisal standards, qualified appraisals, and qualified appraisers. NAR believes that additional regulations beyond USPAP will prove burdensome to the many small and independent businesses that make up the real estate appraisal community.

*Generally Accepted Appraisal Standards:*

NAR urges the IRS to adopt USPAP. This eases the burden of compliance for appraisers and ensures that appraisals are done competently by certified appraisers.

*Appraisal designation from a recognized professional appraisal organization:*

NAR believes that the intent of FIRREA was to limit reliance on appraisal organizations in determining appraiser qualifications for various complex appraisal transactions, while placing emphasis on the qualifications prescribed by the AQB and USPAP. Members of NAR's Appraisal Committee have indicated that education and experience are more of an indication of appraiser capabilities than membership in an appraisal organization. They've also indicated that the creation of the Appraisal Foundation through FIRREA was meant to set national appraisal standards while de-emphasizing membership in an appraisal organization. Members note at the time FIRREA was passed, there was no national appraisal standard, rather there was a patchwork of appraisal organizations which offered qualifications with varying degrees of rigor. Thus, NAR believes that the IRS should place greater emphasis on education and experience rather than membership in an appraisal organization in its determination of what constitutes a qualified appraiser.

That being said, NAR urges the IRS to include NAR's appraisal designations in its regulations—Residential Accredited Appraiser and General Accredited Appraiser. Each designation requires a minimum of 1,000 hours experience in addition to the experience required to obtain state certification as well as specialized education (45 hours for the

RAA) or (60 hours for the GAA) comprising of tested course work in addition to the Appraiser Qualification Board's education requirement at the time of certification.

Information on these designations is attached.

*Minimum education and experience requirements:*

Education and experience requirements should be those determined by the Appraisal Foundation through its AQB and USPAP. The AQB has two general classifications: Certified Residential Appraiser and Certified General Appraiser.

*Verifiable experience and education:*

In valuing properties in charitable donations NAR believes that the IRS, in their scope of work should consider requiring appraisers to disclose the following: qualifications in the appropriate class of property, continuing education in emerging appraisal trends, and experience in valuing similar properties.

**General Observations:**

*Comments on Penalties in Section 6695.a of Public Law 109-280:*

P.L. 109-280 imposes a penalty if the claimed value the property based on an appraisal results in a substantial or gross valuation misstatement on any person who prepared the appraisal and who knew or reasonably should have known the appraisal would be used in connection with a return or claim for refund. NAR agrees that appraisers engaged in fraud or dishonesty or incompetence should be punished, however, the legislation appears to treat honest errors as being equivalent to fraud. This perception that errors may be treated the same as fraud may dissuade qualified appraisers from conducting appraisals on property used in charitable donations due to the risk of severe penalties that may result if a simple error is made.

Furthermore, this section of the law pertains to the "substantial and gross valuation misstatements attributable to incorrect appraisals". NAR urges the IRS to work with the Appraisal Foundation, and other appraisal membership organizations, such as NAR, to clarify what is meant by the term "incorrect appraisal". This term may cause some confusion among appraisers because appraisals are often conducted in accordance with a scope of work. One solution maybe to have the IRS set the scope of work based on property size or value. Have a standard such as "existing use" versus highest and best use.

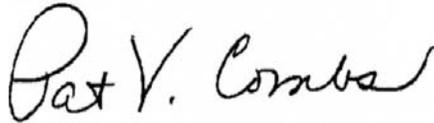
**Conclusion:**

NAR appreciates the opportunity to comment on the proposed guidance governing appraisals in charitable contributions. NAR urges the IRS to adopt USPAP as it pertains to the valuation of properties, and to the qualifications of appraisers. The IRS, through their scope of work requirements, should require appraisers to document their experience valuing properties in charitable contributions on their reports. In addition, NAR urges the IRS not to weigh membership in a appraisal organization greater than experience and education in determining appraiser qualifications. This approach would ensure ease of

compliance to IRS rules and ensure that appraisals are done accurately and competently.

Should you have any comments questions or concerns on NAR's views, please do not hesitate to contact Tom Heinemann at 202 383-1090 or [THeinemann@realtors.org](mailto:THeinemann@realtors.org).

Sincerely,

A handwritten signature in black ink that reads "Pat V. Combs". The signature is written in a cursive style with a large initial "P" and a distinct "V".

Pat Vredevoogd Combs

# Appendix 1

## NATIONAL ASSOCIATION OF REALTORS®

### APPRAISAL DESIGNATIONS PROGRAM - OFFICIAL APPLICATION

I am applying for the designation: \_\_\_\_\_ RAA \_\_\_\_\_ GAA \_\_\_\_\_ RAA/GAA

Please type or print all information. If additional space is needed attach a separate sheet.

#### SECTION I: APPLICANT INFORMATION

Check One:  MR.  MRS.  MS.

\_\_\_\_\_  
First Name Middle Initial Last Name

If you would prefer your name to be listed in a different manner than above (first name, middle initial, last name) on your designation plaque, please indicate below:

\_\_\_\_\_

Mailing Address:

Firm Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Daytime Phone No. \_\_\_\_\_ / \_\_\_\_\_ Fax No. \_\_\_\_\_ / \_\_\_\_\_

E-mail address: \_\_\_\_\_

#### SECTION II: ASSOCIATION INFORMATION

*Designation Criteria:* REALTOR® or Institute Affiliate membership is mandatory. Institute Affiliate membership is available to designees of five NAR affiliates: Institute of Real Estate Management (IREM), Commercial Investment Real Estate Institute (CIIEI), REALTORS® Land Institute (RLI), Society of Industrial and Office REALTORS® (SIOR), and the Counselors of Real Estate (CRE). Check with your local association for more information regarding Institute Affiliate membership.

◆ I am currently a member in good standing of the following Primary Board/Local Association:

\_\_\_\_\_

Membership Status:  REALTOR®  Institute Affiliate (must be a designee of IREM, CIIEI, RLI, SIOR, or CRE to qualify.)  
Which Designation(s) do you possess? (Please circle)  
ALC CCIM CPM CRE SIOR

Attached is the required letter from the Local Board/Association which verifies my REALTOR® or Institute Affiliate membership status. (This letter must be included for application processing.)

# Appendix 1

<b>SECTION III: APPRAISAL CERTIFICATION INFORMATION</b>
<i>Designation Criteria:</i> You currently must be state certified. (If your state does not have a certified residential classification, please refer to special instructions in attached booklet.)

	State	License Number	Expiration Date
Licensed			
Certified Residential			
Certified General			

Attached is a copy of the state appraisal certificates listed above. (Where photocopying of a state certificate is prohibited, please submit adequate proof of certification.)

<b>SECTION IV: PRIMARY WORK ACTIVITY INFORMATION</b>
Using the past 12 months as the timeline, please indicate, in percentages, how your time was spent in the following real estate appraisal categories. The total should equal 100%

- |  |               |  |         |
|--|---------------|--|---------|
| <input type="checkbox"/> Residential               | _____ %       | <input type="checkbox"/> Agriculture       | _____ % |
| <input type="checkbox"/> Commercial                | _____ %       | <input type="checkbox"/> Industrial        | _____ % |
| <input type="checkbox"/> Acreage/Large Land Tracts | _____ %       | <input type="checkbox"/> Public Utilities  | _____ % |
| <input type="checkbox"/> Mobile Home Parks         | _____ %       | <input type="checkbox"/> Retail            | _____ % |
| <input type="checkbox"/> Wetlands                  | _____ %       | <input type="checkbox"/> Urban Development | _____ % |
| <input type="checkbox"/> Other: _____              | _____ %       | <input type="checkbox"/> Non-Appraisal     | _____ % |
| _____  | <b>TOTAL:</b> | <u>100</u>                                 | %       |

## SECTION V: APPRAISAL EMPLOYMENT INFORMATION

*Designation Criteria:* Describe all employment during the past five years; list present employment first. Attach additional sheets if necessary.

Name of Company	City	State
Phone ( )	Position	From (Month/Year) To (Month/Year)
Name of Company	City	State
Phone ( )	Position	From (Month/Year) To (Month/Year)
Name of Company	City	State
Phone ( )	Position	From (Month/Year) To (Month/Year)

## Appendix 1

### SECTION VI: EDUCATION INFORMATION

*Designation Criteria:* You must have enough education hours to satisfy the Appraiser Qualification Board's (AQB) education requirements at the time of certification plus an additional 45 tested hours to qualify for the RAA designation or 60 tested hours to qualify for the GAA designation.

- 1) Date of initial state certification: \_\_\_\_\_
- 2) Education Requirement:
  - RAA Designation:
    - Certified prior to January 1, 1994 - **150 hours (105 hours submitted for certification plus an additional 45 hours of tested education)**
    - Certified on or after January 1, 1994 - **165 hours (120 hours submitted for certification plus an additional 45 hours of tested education)**
  - GAA Designation or Both Designations - **225 hours (165 hours submitted for certification plus an additional 60 hours of tested education)**
- 3) Substantiate the required number of education hours indicated above using the log on the following page. Guidelines for the additional education required beyond certification to attain the designation include: 1) 45 hours of successfully tested education for the RAA designation or 60 hours of successfully tested education for the GAA designation, and 2) the subject matter should relate to the appraisal qualifying or continuing education topics identified by the Appraiser Qualifications Board of The Appraisal Foundation and which are listed below. Credit toward the designation may also be awarded for instructing or writing appraisal courses as well as for successful challenge examinations. (These should be noted and highlighted on the education log.) **You can obtain credit for a course only once, whether it be for attending, writing or instructing a course.** The Appraisal Designations Admissions Panel makes the determination as to whether submitted courses constitute acceptable education for the designations program.

#### AQB APPROVED APPRAISAL SUBJECT MATTER TOPICS

##### Qualification Topics:

- a) Influences on Real Estate Value
- b) Legal Considerations in Appraisal
- c) Types of Value
- d) Economic Principles
- e) Real Estate Markets and Analysis
- f) Valuation Process
- g) Property Description
- h) Highest and Best Use Analysis
- i) Appraisal Math and Statistics
- j) Sales Comparison Approach
- k) Site Value
- l) Cost Approach
- 1 m) Income Approach
- n) Valuation of Partial Interests
- o) Appraisal Standards and Ethics
- p) Narrative Report Writing
- 4) **Attach transcripts or adequate proof of only the additional 45 or 60 hours of tested appraisal education beyond the AQB certification requirements.**

##### Continuing Education Topics:

- a) Ad Valorem Taxation
- b) Arbitration
- c) Business Courses Related to Practice of Real Estate Appraisal
- d) Construction Estimating
- e) Ethics and Standards of Professional Practice
- f) Land Use Planning, Zoning, Taxation
- g) Management, Leasing, Brokerage, Timesharing
- h) Property Development
- i) Real Estate Appraisal
- j) Real Estate Law
- k) Real Estate Litigation
- l) Real Estate Financing and Investment
- m) Real Estate Appraisal Related Computer Applications
- n) Real Estate Securities and Syndication
- o) Real Property Exchange

**Statement of Verification:** I verify all education information I have provided is accurate and that I have obtained an additional 45 **tested** education hours for the RAA designation or 60 **tested** education hours for the GAA designation beyond the Appraiser Qualification Board's education requirement at the time of certification.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

# Appendix 1

## SECTION VI: EDUCATION INFORMATION (Continued)

THIS FORM IS **MANDATORY** FOR REPORTING EDUCATION HOURS.  
NO OTHER FORMAT IS ADMISSIBLE.

**APPLICATION WILL BE RETURNED IF THIS LOG IS NOT PROPERLY COMPLETED.**

(Photocopy and attach additional sheets, if necessary.)

### EDUCATION LOG

\_\_\_\_\_

Last Name

\_\_\_\_\_

First Name

COURSE TITLE	EDUCATION SPONSOR	MONTH/YR COMPLETED	NO. OF HOURS	SUCCESSFULLY COMPLETED EXAMINATION (YES/NO)	COURSE SUBMITTED FOR STATE CERTIFICATION (YES/NO)
TOTAL NO. OF HOURS					
TOTAL NO. OF TESTED HOURS					

Attached are transcripts or adequate proof of only the additional 45 or 60 hours of tested appraisal education listed above.

# Appendix 1

**SECTION VII: EXPERIENCE INFORMATION**

*Designation Criteria:* You must possess an additional 1,000 hours of appraisal experience beyond your certification requirements. To verify these additional hours, submit the information in one of the three following formats: 1) experience log utilized by your state regulatory board, 2) Schedule 1: Summary Experience Log, below, or 3) Schedule 2: Line Item Experience Log, on the next page. Please log only the additional 1,000 hours. Additional documentation may be requested. **Whatever reporting method chosen you must sign the Statement of Verification below.**

1) Number of years practicing as a full-time appraiser: \_\_\_\_\_

**Statement of Verification:** I verify that I have obtained an additional 1,000 hours of appraisal experience beyond the requirement of my state at the time of certification.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

## SCHEDULE 1: SUMMARY EXPERIENCE LOG

REPORT	DATES (MO./YR.)		NUMBER OF REPORTS	TOTAL ESTIMATED HOURS
	FROM	TO		
FNMA 1004 / FHLMC 70 (URAR Report)				
FNMA 1025 / FHLMC 72 (Small Residential Income Property Report)				
FNMA 1073 / FHLMC 465 (Condominium Report)				
ERC-3 (Employee Relocation Report)				
FNMA 1050 / FHLMC 71A FNMA 1050A/ FHLMC 71B (Large Residential Income Property Report)				
Narrative Reports (Residential)				
Narrative Reports (Commercial)				
Other (Specify):				
Other (Specify):				
Other (Specify):				
<b>TOTAL HOURS:</b>				



## Appendix 1

### SECTION VIII: PAYMENT INFORMATION

*Designation Criteria:* Check the method and amount of payment.

- Check enclosed made payable to the NATIONAL ASSOCIATION OF REALTORS® in the amount of:

Check One:     \$100.00 for one designation                       \$200.00 for both designations

- Credit card information:

Check One:     VISA             MASTERCARD             AMERICAN EXPRESS

DISCOVER     DINERS CLUB             CARTE BLANCHE

Check One:     \$100.00 for one designation                       \$200.00 for both designations

Account No. \_\_\_\_\_    Expiration Date: \_\_\_\_\_

Cardholder's Name (Please Print): \_\_\_\_\_

Cardholder's Signature: \_\_\_\_\_

### SECTION IX: VERIFICATION INFORMATION

*Designation Criteria:* The type of designation for which you are applying should be selected. This portion of the application must contain your original signature.

I hereby apply for the designation of    \_\_\_ RAA            \_\_\_ GAA            \_\_\_ RAA/GAA granted by the NATIONAL ASSOCIATION OF REALTORS® for use solely within the stipulated limitations of use for said mark.

I declare that all of the information given herein, including supplementary statements or documents, is complete and correct to the best of my knowledge and belief and that such information is furnished for the purpose of assisting the NATIONAL ASSOCIATION OF REALTORS® in evaluating the adequacy of my qualifications for the designation and that it will be held in strict confidence. I agree that the Appraisal Designations Admissions Panel can make appropriate inquiry as to the validity of any or all of the representations made herein. I agree that any information and comment furnished to the Admissions Panel by any person in response to the invitation shall be conclusively deemed to be privileged and not form the basis of any action for slander, libel, or defamation of character. Any statements or documents found to be false could result in the revocation of the designation. Further I understand that if approved for this designation, I must maintain my membership in NAR or its affiliates and be currently licensed or certified by my state in order to remain eligible to use the designation.

\_\_\_\_\_  
Signature of Applicant

\_\_\_\_\_  
Date

Please return completed application and attachments to:

**NATIONAL ASSOCIATION OF REALTORS®**  
**P.O. Box 10958**  
**Chicago, IL 60610-0958**