

Memorandum

To: Chair Koppelman, Representative Wagner and Representative Christy
Subcommittee of the Industry, Business and Labor Committee

Cc: Chair Louser, North Dakota Appraiser Board and Industry Stakeholders

From: Real Estate Valuation Advocacy Association (REVAA)

Date: January 17, 2023

Re: REVAA Suggested Revisions for H.B. 1106 and H.B 1107

On behalf of the Real Estate Valuations Advocacy Association (REVAA), thank you for the opportunity to share our perspective and offer solutions that we believe will help the North Dakota Appraiser Board (“Board”) achieve its objectives with H.B. 1106 and H.B. 1107.

REVAA is an industry trade association for Appraisal Management Companies (AMC) and financial services organizations that facilitate residential appraisal services and lender valuation products such as Broker Price Opinions (BPO), evaluations and Automated Valuation Models (AVM). Our member companies are licensed with the Board as AMCs in the State of North Dakota.

Prior to January 2, 2023, neither REVAA nor AMCs had any knowledge of the proposed legislation (H.B. 1106 and H.B. 1107). Nor was there any dialogue with the Board to obtain insight into its intent with its proposed amendments in both bills. Equally concerning is that there is no AMC representation on the Board nor anyone involved in the creation of proposed rules or statutory changes with operational knowledge of how AMCs function.

Regardless, we are committed to trying to find common ground with the Board on these bills.

H.B. 1106 (AMC statutory change)

The Board’s stated goal before the House Industry, Business and Labor Committee and industry stakeholders is to have an appraiser review program on par with that of the approximately 50 percent of states that have a similar regulation.

Unfortunately, we didn’t get an opportunity to work through this with the Board prior to the introduction of legislation. Once we learned of the bill introduction we offered to work with the Board to understand its intent and craft bill text to help achieve the Board’s objectives while ensuring a clear delineation of AMC quality control and business activities.

Now the Board’s stated objective that we had agreed to meet has since changed. The Board now intends to enact appraisal review policy restrictions that go further than other states it had cited as an example despite our objections over the negative operational and financial consequences inflicted on AMCs licensed in the state. As we understand it, the Board’s intent is to require that anyone who provides an opinion of any kind about the general work of a North Dakota appraiser must be licensed as a North Dakota appraiser.

This has created a fundamental impasse between REVAA and the North Dakota Appraiser Board that is keeping us from drafting acceptable text.

Instead of adopting regulation to place the state on par with most of the other states with similar policies, as we have now agreed to, the Board moved the goal post from adding nominal operational and financial burden for AMCs licensed in North Dakota to inflicting significant burden. North Dakota would move beyond “on-par” with 25 or so other states to among the top 2-3 least busy friendly states as most having in place the most burdensome and financially expensive appraisal review mandates, to the detriment of AMC customers such as lender and ultimately borrowers

Further, we believe the real implications of this issue have not been adequately shared with lawmakers. The requirements REVAA is talking about are regarding the concept that all appraisal reviews, pre and post transaction. To our opposition, the Board is proposing to require any employee appraiser of an AMC (and presumably a lender) to have a North Dakota license which will impose greater cost on AMCs and ultimately create delay in the delivery of appraisals (unless we get all staff appraisers licensed in North Dakota).

Some critical points of clarification that have not been adequately communicated:

- The appraisal reviews we are talking about involve less than 1 percent of North Dakota appraisals. They are primarily triggered by a lender (for federal regulatory reasons), a state (for regulatory reasons to mandate AMCs review the work of appraisers) or by an escalation of an appraisal done in a state that requires more intensive review by a state licensed appraiser.
- The other 99% are reviews/examinations are tied to an AMCs day to day quality control (QC) activity as a requirement of the state and its clients. This 99% of an AMCs work does not include a person making an opinion of another appraiser's opinion of value. Simply, AMC quality control requirements do not require a person to opine about an appraisers opinion of value. These reviews are performed by trained non-appraiser staff, but can be escalated to an appraiser who has more experience in evaluation and appraisals compliance with client requirements and can better communicate more nuanced issues with appraisers.
- North Dakota law requires that AMCs pay for an appraisal review process that typically occurs post-transaction - There is zero to at best nominal consumer protection that occurs with these requirements because they are almost always done post transaction, not during a transaction. All the consumer focused activities are included in the 99% of QC work we are doing as outlined. This change by the Board only protects appraisers whose work is called into question.
- There is no danger or immediate concern for consumers with the current system, other than the appraiser shortage as noted. Testimony before the board has been confusing and doesn't accurately portray the scope of the issue. We need to put lawmakers at ease that there is not a crisis or immediate issue that needs to be resolved.

***Summary:** REVA is willing to meet the North Dakota Board's original demand for appraisal review restrictions and drafted suggested legislative changes for H.B. 1106 for consideration. Due to the impacts of the Board's desire to adopt more stringent regulation, we cannot support the additional operational impact and financial burden.*

H.B. 1107 (Appraiser statutory change)

This legislation makes revisions to the appraiser statute. There is a cross-reference to H.B. 1106 that intertwines the two bills and needs to be made consistent depending on the outcome of the discussion on H.B. 1106.

So long as the North Dakota Bankers agrees, the amendment provided by the North Dakota Realtors Association and the appraiser association are welcome additions that we fully support.

***Summary:** If there is consistency with the outcome of H.B. 1107, REVA supports the proposed changes.*

Table of Contents for this Document and Proposed Legislative Revision

We believe important aspects of AMC operations and the impact of the Board's proposed change has not been adequately shared with the legislators. The following document seeks to provide important background and AMCs and their Quality Control/Appraisal Review activities, along with our proposed solutions to help North Dakota achieve its originally stated objective to enhance its appraisal review policies.

- **Section 1:** Background on the federal and state mandated role of AMCs. (Page 3-4)
- **Section 2:** Background on AMC Quality Control and Appraisal Review responsibilities (Page 4 -6)
- **Section 3:** Background on North Dakota's current AMC and appraiser policy (Page 7-8)
- **Section 4:** REVA's proposed revisions to North Dakota AMC and appraiser statutes (Page 9-10)

Section 1: About Appraisal Management Companies (AMC)

AMCs are an Agent of the Lender: AMCs are third party service providers engaged by bank/non-bank lenders to collaborate with appraisers on residential appraisals in compliance with federal appraisal independence requirements. AMCs have existed since the 1960's and were primarily utilized by the largest US financial institutions to reduce consumer costs by outsourcing the expenses that would be incurred through their internal management of the valuation process. AMCs grew in popularity among smaller and mid-size lenders following the 2007-08 financial crisis as their attention to efficiency, compliance and regulatory responsibilities helped ensure consumer protection.

AMCs are Regulated in all 50 States and Washington, D.C.: Per Dodd-Frank, AMCs are licensed in all 50 states and Washington, D.C with federally compliant regulatory oversight to strengthen and ensure consistent appraiser independence and consumer protections across the entire United States. AMCs are also required to be on the National AMC Registry.

AMCs Do Not Have Direct Consumer Contact: While AMCs have contact with appraisers and their lender clients, AMCs do not have direct consumer contact. They are agents of the lender to facilitate the procurement of an appraisal or property valuation. This includes the management of compliant panels of independent fee appraisers, real estate professionals and others performing property valuations.

AMCs Provide Important Consumer Protections: AMCs benefit consumers by ensuring that the residential property they are purchasing, refinancing, or otherwise using as collateral is properly evaluated and that the lender they are working with to secure their residential mortgage transaction will receive a quality, timely appraisal that is reasonably priced based on current market conditions, free from undue influence, and compliant with the *Uniform Standards of Professional Appraisal Practice* (USPAP). Among an AMC's core functions include:

- Maintaining a panel of qualified appraisers ready to execute lender valuation assignments.
- Ensuring appraiser independence by safeguarding against fraud and undue influence.
- Maintaining a process to require that an appraiser comply with USPAP and state law;
- Providing quality assurance processes for appraisal and valuation products to support lender risk.
- Supporting a smooth, timely and responsive mortgage process for consumers and lenders.
- Ensuring lender compliance with federal and state banking and mortgage regulations.

AMCs Provide Valuable Services to Lenders: Lenders, mortgage companies, investors, government-sponsored entities and others seek different levels of service from a valuation company for several reasons, including:

- Valuation companies are experts in real estate property data. Customers seek to collaborate with companies that have expertise in all real estate collateral risk concepts.
- From a vendor management perspective, customers demand to work with one business that can support many needs, as opposed to working with an AMC, a valuation company, and data company. This helps banks and other regulated institutions more effectively provide oversight of their vendors.
- Valuation companies invest heavily in technology, product development tools, vendor panels to be able to adapt to shifts in the marketplace, which provides economies of scale and efficiencies to support customer needs for different transaction types.

Under federal law and regulation, lender clients may be held responsible for the actions or inactions of their third-party vendors, including AMCs. Therefore, AMCs are under continuous, vigorous, and extensive scrutiny by their lender clients through the lender client third-party oversight programs. AMCs are required to regularly submit to client audits to ensure compliance with federal banking regulations and lender policies and procedures. In addition, lender transactions with AMCs are regulated by state and federal banking regulators.

AMCs are Pioneering New Technologies and Innovation: AMCs invest significantly in technology to support the above functions, including but not limited to developing proprietary ordering processes that can integrate with appraisal form providers and other real estate technology solutions and implementing automated quality control rule sets. It is important to underscore that the AMC's lender customer sets the expectations for how an AMC must manage its appraisal orders – this is critical as there is a misunderstanding amongst appraisers that AMCs set appraisal order turn times, delivery requirements, and other obligations.

AMCs play a critical role in developing and supporting innovation that allows non-traditional valuation services to augment traditional appraisals. New and emerging technology places mobile tools in the hands of both appraisers and non-appraisers to perform onsite data collection, including obtaining photographs, video, floor plans, square footage calculations, 3D scanning, virtual property tours to obtain digital GLA measurements.

AMCs Often Manage More Valuations Than Only Appraisal: Many AMCs are more appropriately described as valuation providers that offer customers with a variety of valuation-related products and management services, including but not limited to evaluations, broker price opinions, automated valuation models, property data collection products, post-disaster property reviews, and data analytics. While a business may meet the definition of an AMC, they often provide many other services - this business model is beneficial to customers, borrowers, and helps to support a more healthy and cohesive process.

Section 2: AMC Appraisal Review and Quality Control

AMCs have robust Quality Control (QC) programs in place to examine appraisal reports after the initial delivery by the appraiser. These programs involve reviews that are done to ensure compliance before the appraisal report or valuation is delivered to the lender and are not used to determine a lending decision. Such programs may involve automated quality control rules and technology, trained non-appraiser staff, and appraisers.

Any AMC QC process must comply with two important components of appraiser independence under the Truth in Lending Act:

1. Complying with federal and state appraiser independence requirements, including not attempting to directly or indirectly causing an opinion of value to be influenced based on any factor other than the independent judgment of the person preparing the valuation.
2. Performing quality assurance review in compliance with appraiser independence – federal and state law explicitly permits an AMC (whether an appraiser or non-appraiser) to ask an appraiser to:
 - a. Consider additional, appropriate property information, including the consideration of additional comparable properties to make or support a valuation.
 - b. Provide further detail, substantiation, or explanation for the valuation provider's value conclusion.
 - c. Correct errors in the appraisal report.

Lender Quality Control Requirements: Federal Interagency Appraisal and Evaluation Guidelines mandate that lenders are responsible for safety and soundness of property valuations.

Most lender clients outline requirements for the AMCs they have hired to perform QC as part of the overall services performed on their behalf. These requirements vary by lender client and can range from nominal review to intensive review. In addition, some lenders have their own QC programs beyond or in lieu of what may be provided by the AMC. So while AMCs may have a base set of QC processes, they can be enhanced or changed by customers - most AMCs typically do not have the same QC process for all customers.

AMC QC Requirements Under Federal Law: Federal law imposes requirements on lenders to implement controls to review appraisals, and AMCs as service providers work with lender customers to ensure their requirements are met.

AMC QC Requirements Under State Law: State laws vary, but most have a requirement that AMCs must audit the work of appraisers on their panel, although the details of how many appraisals must be reviewed or the extent of the review can vary. Typically, AMCs are required to provide a general review for compliance with USPAP. Approximately 50% of states have more restrictive requirements that require a detailed opinion of an appraisers opinion of value in compliance with Standards 3 and 4 in USPAP. Only a small number of states extend these restrictions further, which adds burden on AMC operations (e.g., operational, financial, trouble finding enough appraisers to fulfill review orders, etc.).

AMC QC Review of Independent Appraisers: AMCs review their panel of independent fee appraisers to grade appraiser performance on past assignments, research state boards to determine if there is any disciplinary history, require background checks to determine if there is any criminal history. Their work is reviewed for quality, on-time delivery, customer service and professionalism, conformance with appraiser independence requirements, and USPAP compliance. Independent appraisers also need to agree to terms of use/agreement/code of conduct which outline specific expectations of the relationship, including compliance with applicable laws (i.e. fair lending requirements), and individual assignments include a letter of engagement that outlines assignment-specific criteria required by a client.

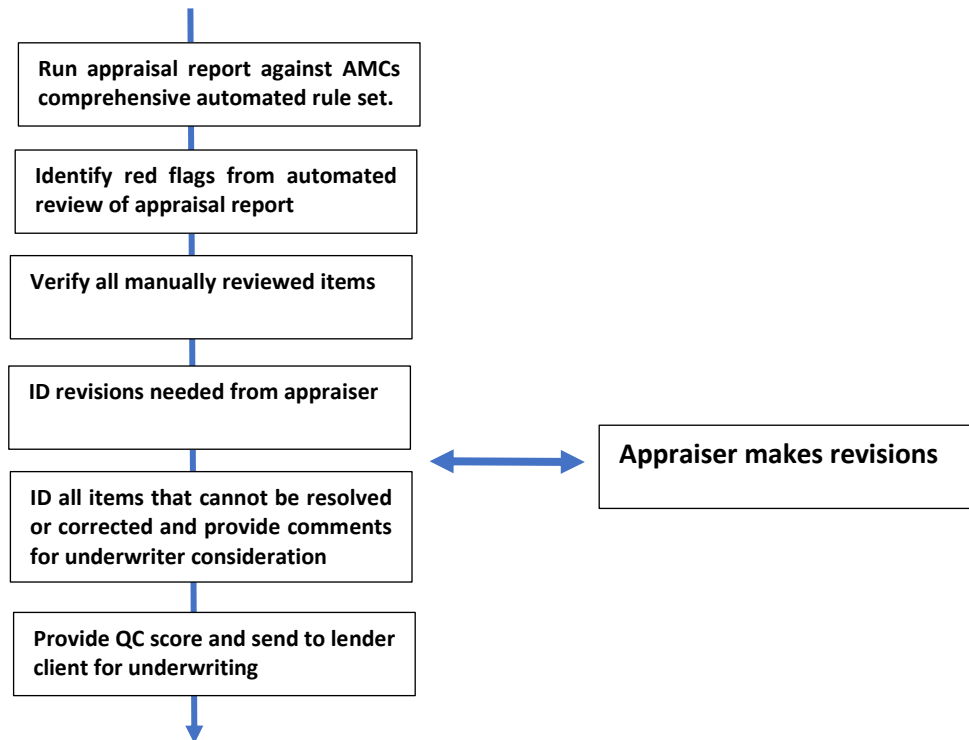
There are Different Levels of AMC QC Reviews: Each AMC has its own QC process that is largely dependent on the unique QC review requirements of its lender clients. Lender contracts with AMCs dictate the level of QC and specific guidelines for what is to be reviewed by the AMC.

AMCs review all appraisal reports for a base level of items as dictated by state and/or lender requirements.

- **Detailed Appraisal Review** = >1% of reviews (USPAP Standards 3 and 4 full review of an appraisers work including opinion of value). In most cases, a detailed review by an AMC would treat this like an appraisal assignment and use their appraiser panel to identify a geographically competent appraiser in the market in question to perform the review of another appraisers opinion of value.
 - ❖ There are some states that require AMCs to review a percentage (e.g. 2%) of appraisals each month that were performed in the state for quality control purposes. Typically, this requires a general review for compliance with USPAP. However, there are a few states that do require this review to be a more detailed Standards 3 and 4 review, which is a full review of the appraisal and its opinion of value of another appraiser.
- **Other Day to Day AMC QC Reviews/Examinations** = 99% of reviews (QC for correct names, address, use of proper forms, report completion, compliance with standards such as Uniform Standards of Professional Appraisal Practice (USPAP), Uniform Appraisal Dataset (UAD), the Uniform Collateral Data Portal (UCDP)). There is no review of the appraisers opinion of value. These reviews ensure compliance before the appraisal report or valuation is delivered to the lender and are not used to determine a lending decision.
 - ❖ Automated reviews utilize logic software with defined business rules to review text used in the appraisal report. The number of business rules used varies from AMC to AMC based on lender client or state requirements (e.g., 100+ including USPAP, UAD, UCDP, FHA, USDA, etc. and lender-specific overlays). In addition, for some AMCs this may include a key word search to identify those words shared by Fannie Mae, Freddie Mac and other institutions which can be perceived as bias or discriminatory in nature. Flagged words would be sent back to the appraiser for removal.

Lenders may request additional information after an appraisal has been submitted for a lending decision. The AMC would facilitate the information request with the appraiser who performed the assignment, within the guidelines of federal appraisal independence requirements.

Overview of the General AMC QC Process (99% of the examination work AMCs perform)



Escalation. If a red flag is identified through an automated or manual review of an appraisal, the concern is escalated to a more intensive review based on severity, including one or all the tools outlined below. Any questions or issues identified are addressed directly with the appraiser who completed the appraisal.

- Manual desk reviews are performed as required by AMC lender client contracts. It allows the consideration of unique attributes to the property and its potential impact on value.
- AMCs may seek to evaluate an opinion of value via an automated valuation model (AVM) or other valuation tool) to determine if over or under value.
- AMCs must manage complaints related to appraisal bias or discrimination. These complaints come from homebuyers through the lender, there is no direct contact between the consumer and AMC.
- Reconsideration of value at the request of lender or borrower. Any questions or issues identified are addressed with the appraiser who completed the appraisal. It is important to note again that reconsiderations are routed through the lender because they have conducted other QC or review for that file that the AMC has not been exposed to. A lender may opt not to forward a ROV to an AMC if they believe it doesn't have merit. An AMCs responsibility in the ROV process is to communicate the request to the appraiser, review the response to confirm it addresses the request, determine if there are any outstanding QC issues, and return to the lender for its review.

Section 3: Overview of Current North Dakota AMC and Appraiser Policy

North Dakota Appraiser Statute and Rules Already Allow an Exemption for Non-AMCs

North Dakota's existing appraiser statute requires a person to obtain an appraiser permit or temporary permit to conduct the business of or otherwise act as an appraiser in North Dakota. However, the entire appraiser chapter does not apply to a person who, in the ordinary course of business, gives an "opinion of value" of real estate to that person's employer.

Specifically, the last sentence of current Section 43-23.301, highlighted in yellow below, provides exceptions to its licensing statute. Given this existing precedent for an exemption contrasted against the Board's sudden need to adopt more stringent regulation on AMCs is confusing. Shouldn't the Board seek the same standard be in place for persons who opine about another appraiser's opinion of value when they do not work AMCs?

Unlike the North Dakota AMC statute, the appraiser statute does not include use of the term "appraisal review." Conversely, while "appraisal" is defined in the appraiser statute, it is not defined in the AMC statute.

This inconsistency in standards regarding an exemption should be resolved as we believe it unfairly targets the business operations of AMCs over non-AMCs who may perform the same type of appraisal review function.

Following are appraiser statutory citations:

43-23.3-01. Definitions.

1. "Appraisal" means an analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, real estate. An appraisal may be classified by subject matter into either a valuation or an analysis.

...

3. "Appraisal assignment" means an engagement for which a person is employed or retained to act, or would be perceived by the public as acting, as a disinterested party in rendering an unbiased supportable appraisal.

43-23.3-04. Permit required - Exemptions.

Except as provided in this section, a person may not directly or indirectly engage in, advertise, conduct the business of, or act in any capacity as an apprentice, licensed, or certified appraiser without first obtaining a permit as provided in this chapter. An appraiser, apprenticed, licensed, or certified in another state may not engage in, advertise, conduct the business of, or act in any capacity as an appraiser in this state without first obtaining a temporary permit under section 43-23.3-11 or a permit under section 43-23.3-04.1. This chapter does not apply to a licensed real estate broker or salesperson who, in the ordinary course of business, gives an opinion to a potential seller or third party as to the recommended listing price of real estate or an opinion to a potential purchaser or third party as to the recommended purchase price of real estate. However, the opinion as to the listing price or the purchase price may not be referred to as an appraisal. This chapter does not apply to a person who, in the ordinary course of business, gives an opinion of the value of real estate to that person's employer.

North Dakota AMC Statute and Regulations are Conflicting

Current North Dakota Appraisal Management Company law permits an appraiser credentialed in any state to perform an appraisal review for a North Dakota property, regardless of whether any opinion of value is provided and regardless of the purpose of the appraisal review.

This is the section of the AMC law that the appraiser board is seeking to amend and where we are at an impasse.

While there is a definition of "appraisal review," in the AMC statute, there is no matching definition in the appraiser statute. And although "appraisal" is defined in the appraiser statute it is not in the AMC statute. Further, the Board's AMC regulation around "appraisal review" currently conflicts with, and is therefore superseded by, state law.

We believe these inconsistencies in definitions, and between statute and rules, should be resolved to provide maximum clarity and consistency for licensees.

Following are AMC statutory and regulatory citations:

43-23.5-01. Definitions.

3. "Appraisal management services" means to, directly or indirectly, perform any of the following functions on behalf of a lender, financial institution, client, or any other person in conjunction with a consumer credit transaction that is secured by a consumer's primary dwelling:
...
 - d. Contract with appraisers to perform appraisal assignments
 - ...
 - h. Conduct an appraisal review or other quality control of a completed appraisal prior to the delivery of the appraisal to the person that ordered the appraisal.
4. "Appraisal review" means 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 assignment related to the appraiser's data collection, analysis, opinions, conclusions, estimate of value, or compliance with the uniform standards of professional appraisal practice. This term does not include:
 - a. A general examination for grammatical, typographical, or other similar errors.
 - b. A general examination for completeness, including regulatory client requirements, or both, as specified in the agreement process that does not communicate an opinion.

43-23.5-12. Appraisal review.

Any employee of, or independent contractor to, the appraisal management company that performs an appraisal review for a property located in this state must be:

1. A certified or licensed appraiser in good standing in this state; or
2. A certified or licensed appraiser in good standing in another state.

43-23.5-13. Verification of licensure or certification.

1. An appraisal management company registered in this state may not enter any contract or agreement with an appraiser for the performance of appraisals unless the company verifies that the appraiser is licensed or certified in good standing in this state.
2. An appraisal management company seeking to be registered in this state or to renew a registration in this state shall certify to the board on a form prescribed by the board that the company has a system and process in place to verify that an individual being added to the appraiser panel of the company for appraisal services holds a permit in good standing in this state.

43-23.5-14. Appraisal management company certification of appraisal review system.

Each appraisal management company seeking to be registered or to renew a registration in this state shall certify to the board on a form prescribed by the board that the company has a system in place to perform an appraisal review of the work product of a statistically significant number of appraisal reports submitted by independent appraisers performing appraisals for the appraisal management company on a periodic basis to validate that the appraisals are being conducted in accordance with the uniform standards of professional appraisal practice, and chapter 43-23.3, and the rules adopted under this chapter. An appraisal management company shall report to the board the results of any appraisal reviews in which an appraisal is found to be substantially noncompliant with the uniform standards of professional appraisal practice.

[REGULATION] 101-05-01-15. Responsibilities and duties.

An appraisal management company registered under the provisions of this article shall:

...

Have a system in place to verify that any employee or independent contractor the appraisal management company utilizes to perform an appraisal review on a completed appraisal on property located in North Dakota, be licensed or certified with the same or higher qualifications required to perform the appraisal being reviewed, and holding a permit in good standing in North Dakota.

Section 4: REVAA Proposed Solution for North Dakota

REVAA offers the following amendment suggestions to help the Board achieve its stated goal before the House Industry, Business and Labor Committee and industry stakeholders to have an appraiser review program on par with that of the approximately 50 percent of states that have similar regulation.

REVAA has agreed to accept the cost and burden increases required to meet this objective. The proposed changes below help achieve the Board's objectives while ensuring a clear delineation of AMC quality control and business activities to minimize operational or financial burden.

Further, they seek to provide clarification around the definition of "appraisal review" and clarify when a person reviewing the work of a North Dakota appraisal must be licensed in North Dakota

Fix the Definition of Appraisal Review and Identify When a License is Required

To be consistent, REVAA proposes the definition for appraisal review should be in the appraiser chapter, and delete it from the AMC chapter so others such as banks, etc. can rely on it for their QC processes. We have identified two options that meet the Board and REVAA's objectives:

- **Option A: Use the appraiser board's current proposed amendment but move it to the appraiser statute. In addition, add a licensing exception in the appraiser law for anyone performing an appraisal review that does not include an opinion of value.**

43-23.5-01. Definitions.

(4) "Appraisal review" means 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 assignment related to the appraiser's data collection, analysis, opinions, conclusions, or estimate of value, or compliance with the uniform standards of professional appraisal practice. This term does not include:

- a. A general examination for grammatical, typographical, or other similar errors.
- b. A general examination for completeness, including regulatory or client requirements, or both, as specified in the agreement process that does not communicate an opinion.

43-23.3-04. Permit required - Exemptions.

Except as provided in this section, a person may not directly or indirectly engage in, advertise, conduct the business of, or act in any capacity as an apprentice, licensed, or certified appraiser without first obtaining a permit as provided in this chapter. An appraiser, apprenticed, licensed, or certified in another state may not engage in, advertise, conduct the business of, or act in any capacity as an appraiser in this state without first obtaining a temporary permit under section 43-23.3-11 or a permit under section 43-23.3-04.1. This chapter does not apply to a licensed real estate broker or salesperson who, in the ordinary course of business, gives an opinion to a potential seller or third party as to the recommended listing price of real estate or an opinion to a potential purchaser or third party as to the recommended purchase price of real estate. However, the opinion as to the listing price or the purchase price may not be referred to as an appraisal. This chapter does not apply to a person who, in the ordinary course of business, gives an opinion of the value of real estate to that person's employer.

An appraiser who performs an appraisal review of an appraisal of a property located in this state shall comply with the review provisions of the uniform standards of professional appraisal practice, and shall be licensed or certified as an appraiser under the laws of any state, except that a review appraiser shall obtain a permit under this chapter to the extent the review appraiser provides the review appraiser's own opinion of value, concurs with the original appraiser's opinion of value, or disagrees with the original appraiser's opinion of value.

Furthermore, strike the definition from the AMC statute (strike 43-23.5-01(4) in its entirety); Strike 43-23.5-12 from the AMC statute (as the appraiser law includes the carve-out that a North Dakota license is not required when reviewing the work of a North Dakota appraisal and not providing an opinion of value) - Board should also amend regulation to be consistent with statute.

- **Option B: Instead of the current proposed amendment from the appraiser board, carve-out opinion of value in the definition of “appraisal review,” strike text that is unneeded and move this definition from the AMC statute (whereby it only impacts AMCs) to the appraiser statute (whereby it impacts all appraisers).**

43-23.3-01. Definitions.

“Appraisal review” means 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 assignment related to the appraiser’s data collection, analysis, opinions, conclusions, or estimate of value, ~~or compliance with the uniform standards of professional appraisal practice.~~ This term does not include:

- a. A general examination for grammatical, typographical, or other similar errors.
- b. A general examination for completeness, including regulatory or client requirements, or both, as specified in the agreement ~~process~~ that does not communicate an opinion of value.

Furthermore, we suggest striking the definition from the AMC statute (strike 43-23.5-01(4) in its entirety); Strike 43-23.5-12 from the AMC statute (as the carve-out in the definition clarifies a ND license is not required when reviewing the work of a ND appraisal and not providing an opinion of value) - Board to amend regulation to be consistent with statute.

Clarify AMC Law to Require AMCs to Have a QC Process

REVAA proposes to re-align current appraisal quality control expectations to require an AMC to certify that it has a process to examine appraisals for quality issues when performing services as an AMC:

43-23.5-14. Appraisal management company certification of appraisal review examination system.

Each appraisal management company seeking to be registered or to renew a registration in this state shall certify to the board on a form prescribed by the board that the company has a system in place to examine ~~perform an appraisal examination of~~ the work product of a statistically significant number of appraisal reports submitted by independent appraisers performing appraisals for the appraisal management company on a periodic basis ~~to validate that the appraisals are being conducted in accordance with the uniform standards of professional appraisal practice, and chapter 43-23.3, and the rules adopted under this chapter.~~ An appraisal management company shall report to the board the results of any appraisal examination in which an appraisal is found to be substantially noncompliant ~~with the uniform standards of professional appraisal practice.~~

It will be imperative for the Board to update its regulations to be consistent with North Dakota law.