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**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

**TO:** Appraisal Foundation Board of Trustees

**FROM:** Jim Park, Executive Director 

**DATE:** October 1, 2020

**RE:** Appraisal Subcommittee (ASC) Staff Update to the Appraisal Foundation (TAF) Board of Trustees (BOT)

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I hope this update finds everyone safe and in good health. I want to start by expressing our appreciation for the efforts of TAF and its Boards in response to the current health crisis and national emergency.

**COVID-19 Update**

In May, I reported on the joint efforts the ASC and TAF took to address the needs of appraisers, AMCs, and State regulators during the pandemic. At that time, we were hopeful the health crisis would be easing, and some level of normalcy would be returning by now. Unfortunately, we are not there yet, and a return to standard operating procedures continues to be a goal for the future. However, the new normal may have some benefits. We have all learned to adapt to the virtual environment in which we now live and work. TAF has done a remarkable job embracing virtual meetings, roundtables and webinars, which have gone a long way in proving that, while in person meetings have their place, virtual meetings can also be productive and inclusive.

The ASC State Appraiser and Appraisal Management Company (AMC) Compliance Review Programs have been placed on hold for the remainder of 2020 and will likely remain on hold, at least through the first quarter of 2021. Our efforts remain focused on relief and technical assistance for the States. The Compliance Review schedule will be revisited once the health crisis has abated and the State Programs are functional. We are not aware of any States returning to normal operating procedures yet and we are concerned that a fiscal crisis for many State Programs could be on the horizon. We will continue to work with and support the State Programs in every way possible.

**ASC Grant Program**

For years I have been sharing the ASC's commitment to putting the anticipated additional revenue from the AMC National Registry to work to support the work of the State Programs, TAF, appraisers, AMCs and the valuation industry as a whole. Now, I am pleased to report that the ASC is fulfilling that promise.

Thirty-one States are now placing AMCs on the AMC Registry. We anticipate all participating States will have their registered AMCs on the AMC Registry by the end of 2022. The minimum

statutory fees associated with the AMC Registry have increased the ASC's revenue. The ASC has committed close to \$14 million over the next three years, through three different grant opportunities, to support the industry in new and innovative ways.

Earlier this year, a Notice of Funding Availability (NOFA) was released announcing the availability of \$10 million to support the State Programs to advance the appraiser regulatory field through support for programs, activities and purchases that include:

- Improvements to and/or expansion of the appraiser and AMC complaint process, investigations, and enforcement activities
- Improvements to the process of submitting data on State credentialed appraisers and registered AMCs to the National Registries
- Participation in trainings and conferences to increase professional competency in the management and regulation of Appraiser and AMC Programs
- Expansion of appraiser credentialing opportunities in under-served markets
- Other areas proposed by State Programs and approved by the ASC

To date, the ASC has received grant applications from eight States ranging from \$16,000 to \$120,000, totaling approximately \$760,000. We anticipate more applications will be forthcoming. So far, the request for funds are generally falling into three categories: technology, education and personnel. We also received innovative requests in the area of appraiser shortage relief. The States are incredible incubators for creativity and invention, and we look forward to partnering with them and providing resources to foster advancements in appraiser regulation.

On September 17, 2020, the ASC announced a second NOFA for Training and Technical Assistance for State Appraiser and AMC Regulatory Agencies. For the past ten years, the ASC has provided the funding for the Investigator Training Program administered by TAF and the Association of Appraiser Regulatory Officials (AARO). That has been a successful program and now it's time to build on that success through innovative learning opportunities for the States presented through the new grant program. The deadline for this NOFA is November 18, 2020, and as we discussed last January at your Executive meeting in Florida, TAF is eligible and welcome to apply to be ASC's partner in this expanded training and technical assistance initiative.

The third NOFA Summary is on the agenda for a Special Meeting of the ASC Board on October 5, 2020. This NOFA will be a sole source funding opportunity for TAF. Funding for this NOFA has been set at \$3 million over the next three years, with up to \$1 million approved by the ASC Board during its September 9, 2020 meeting. The NOFA Summary provides for support for the Appraiser Qualifications Board (AQB) and Appraisal Standards Board (ASB) as the ASC has done for the past 30 years. The NOFA Summary invites TAF to propose program initiatives and reforms in multiple other areas that seek innovative ways to ease regulatory burdens, barriers to entry to the appraisal profession, and other means to benefit appraisers, AMCs, regulators, and users of appraisal services.

At TAF's request, the ASC Board held a Briefing on September 23 with the TAF Executive Committee to discuss the draft NOFA Summary. There was a good exchange of ideas and the

ASC appreciates the opportunity for the dialogue. The ASC is following up with additional questions and requesting a written response.

### **AQB and ASB Projects**

I want to thank Chairman Lewis and the AQB for working closely with ASC staff on the challenges faced by the States over the past several months. Allowing States, and therefore appraisers, to obtain continuing and now qualifying education until the end of 2021 in a synchronous distance education environment is good news for the industry. The AQB may want to consider this approach as a permanent option for the future.

We also appreciate the AQB's attempts to find ways to reduce barriers to entry in the appraisal profession. The experience component of the qualification criteria has been problematic for decades. There is considerable concern that the requirement to obtain experience prevents, or at least hinders, prospective appraisers from entering the profession. This problem has taken on even more relevance considering the lack of diversity among appraisers as well as Supervisory Appraisers. We look forward to the AQB and TAF researching and analyzing this area further.

We appreciate the work the AQB and TAF have completed on the Practical Application of Real Estate Appraisal (PAREA). However, important questions regarding PAREA remain unanswered. The cost to potential users of the training, the cost to develop the training, State regulatory programs' willingness to accept PAREA, and other important questions remain unanswered.

As an alternative, the AQB may want to consider an entirely different model, such as an examination that demonstrates practical application of appraisal theory and knowledge, similar to the legal and accounting professions. Using a practice examination would follow the model Congress recommended in a report<sup>1</sup> on the initial implementation of Title XI.

Regarding the ASB, we appreciate the hard work the Chairman and Board have put into the most recent exposure drafts of changes for the 2022-23 edition of USPAP. However, we are concerned that the lack of real property appraisers on the Board may not be conducive to support the ASB in carrying out its Title XI-related responsibilities. While assurances have been made by TAF leadership that more real property appraisers will be added soon, the ASB may want to consider delaying any further exposure drafts until the new members take their place on the Board and have had enough time to familiarize themselves with the work of the ASB.

We are pleased to see that TAF has reconstituted the State Regulator Advisory Group (SRAG). Open lines of communication with the State regulatory programs are clearly beneficial to the work of the ASB and AQB. In the past, the ASC staff played an important role in the SRAG meetings and would appreciate an opportunity to attend such meetings in the future. As the entity that enforces the work of the TAF Boards at the State level, we believe our involvement in such meetings would serve to prevent miscommunication.

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<sup>1</sup> H.R. REP. NO. 101-981, at 10 (1990).

### **TAF Diversity and Inclusion Initiatives**

A wide range of organizations are considering a variety of diversity issues and how to ensure that everyone has equal opportunities. We are pleased that TAF has committed to make changes to improve diversity in the appraisal industry and its Boards. As the purveyors of appraisal standards and qualification criteria, TAF is essentially the gatekeeper for entry into the real estate appraisal business. The ASC is taking this issue very seriously as well and we look forward to working with and supporting TAF and the rest of the appraisal regulatory industry in any we can.

Please know that my door has always been open for questions and discussion and remains so. We look forward to continuing our important work together and furthering the partnership created by Congress over 30 years ago between TAF, the States and the ASC.