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DEC X 7 2006

December 7, 2006

Mr. Ben Henson  
Executive Director  
Appraisal Subcommittee  
Federal Financial Institution Examination Council  
2000 K Street, N.W. Suite 310  
Washington, DC 20006

Dear Ben:

This is regarding your request for an accounting of revenue received by The Appraisal Foundation from the sale of the 7 and 15 hour National USPAP Courses since January 1, 2003.

The enclosed spreadsheet lists the revenue received from course sales, \$3,102,323, as well as unreimbursed expenses incurred by the Foundation during the same time period, which total \$2,747,104.

At the outset, I would like to address a common misperception. Contrary to a view held by some, appraisers do not have to take the Foundation's National USPAP Courses. At the present time there are a total of fifteen courses developed by other educational providers that have been deemed equivalent to these courses, thereby offering a wide array of options for appraisers.

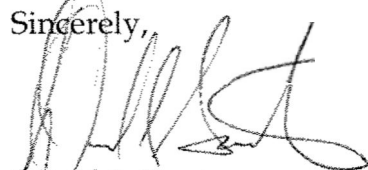
As the spreadsheet indicates, many Foundation programs, while serving a very useful and public purpose, operate at a significant loss. Examples of such revenue losing programs include the AQB Course Approval Program, the Criteria Implementation Task Force, and the AQB Certified USPAP instructor Program. In addition, while the grant covers a significant portion of our Title XI related expenses, each one of our major programs (Board of Trustees, Appraisal Standards Board and Appraiser Qualifications Board) incurs expenses above and beyond the grant budget.

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Lastly, it is important that the Foundation ensure its future viability through the establishment and growth of a reserve fund. We currently have an annual operating budget of \$5,000,000 with a reserve fund of approximately \$1,500,000. As a sound business practice, we hope that we can make additional deposits into the reserve fund in future years to bring it to an amount equal to our annual operating budget.

I hope this information addresses your inquiry. Please do not hesitate to contact me if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'David S. Bunton', written over a light grey circular stamp.

David S. Bunton  
President

Enclosure

THE APPRAISAL FOUNDATION  
 USPAP COURSE REVENUE AND EXPENSES  
 January 2003 - September 30, 2006

	2003	2004	2005	Three Year Cycle Totals	Through September 2006	Total
<b>15 Hour USPAP Course (0502)</b>						
Number of Student Tracking Forms with License Fees	12,587	20,075	19,555	52,217	15,111	67,328
Number of Student Tracking Forms from Manuals Sold	13,816	19,387	17,538	50,741	9,899	60,640
	26,403	39,462	37,093	102,958	25,010	127,968
Number of Course Manuals Sold	30,631	25,220	18,213	74,064	15,321	89,385
<i>We charge \$15.00 for permission to reproduce the Manual</i>	188,805	301,125	293,325	783,255	226,665	1,009,920
<i>The single issue price of the Manual is \$25.00</i>	765,775	630,500	455,325	1,851,600	383,025	2,234,625
	954,580	931,625	748,650	2,634,855	609,690	3,244,545
Less Bulk Discount on Manuals	127,931	107,057	60,121	295,109	63,821	358,929
Percent discount	0.167	0.170	0.132	0.159	0.167	
Gross Revenue, net of Discounts	826,649	824,568	688,529	2,339,746	545,870	2,885,616
Direct Expenses	430,437	387,106	394,234	1,211,777	262,512	1,474,289
Net Income	396,212	437,462	294,295	1,127,969	283,357	1,411,326
<b>7 Hour USPAP Course (0504)</b>						
Number of Student Tracking Forms with License Fees	11,135	18,121	23,149	52,405	20,596	73,001
Number of Student Tracking Forms from Manuals Sold	7,178	12,877	16,880	36,935	10,245	47,180
	18,313	30,998	40,029	89,340	30,841	120,181
Number of Course Manuals Sold	11,761	16,770	17,033	45,564	22,434	67,998
<i>We charge \$12.00 for permission to reproduce the Manual</i>	133,620	217,452	277,788	628,860	247,152	876,012
<i>The single issue price of the Manual is \$22.00</i>	258,742	368,940	374,726	1,002,408	493,548	1,495,956
	392,362	586,392	652,514	1,631,268	740,700	2,371,968
Less Bulk Discount on Manuals	31,621	66,543	58,376	156,539	111,174	267,713
Percent discount	0.122	0.180	0.156	0.156	0.225	
Gross Revenue, net of Discounts	360,741	519,850	594,139	1,474,729	629,526	2,104,255
Direct Expenses	104,073	108,109	121,051	333,233	80,025	413,258
Net Income	256,668	411,741	473,087	1,141,496	549,501	1,690,997
Total Net Income						<u>3,102,323</u>

(1) Course providers can purchase the manuals which contain a student tracking form. When the student completes the class, he will fill out the form and the course provider will send it to TAF. A course verification form is sent to the student. The fee to process the verification was included in the cost of the manual.

(2) Course providers can sign a "permission to reproduce" agreement. This permits them to reproduce the manual for a fee of \$12.00 for the 7 hour and \$15.00 for the 15 hr. The provider sends in the student tracking form with the license fee and a course verification form is sent to the student.

**THE APPRAISAL FOUNDATION**  
**Net Expenditures for Specific Programs that were not Reimbursed by the Grant**

	2003	2004	2005	Through 9/30 2006	Total
<b>Course Approval Program</b> Database - Currently under development	(6,883)	12,318	32,828	112,534 100,000 212,534	150,797 100,000 250,797
We are currently in the process of transitioning this program to a web-based national clearinghouse which will allow state regulators password controlled access to all course and reviewer information.					
<b>Criteria Task Force</b> TAF held nine seminars with over 600 attendees representing 45 states. We paid approximately \$50,000 in state travel and spend over \$60,000 printing summaries of the 2008 criteria for mass distribution.	0	0	198,159	71,934	270,093
<b>Instructor Certification Program</b> Over 900 individuals have applied to the program and approximately 500 have become AQB Certified USPAP Instructors.	83,852	89,246	48,706	144,574	366,378
<b>Unreimbursed State Exam Project</b> In 2005 we received a special grant of \$26,000 to do a survey to identify the various skills that must be possessed to be a competent appraiser. The survey was expanded to include over 8,000 appraisers creating an additional cost of \$26,000.	0	0	26,406	26,504	52,910
An additional \$26,000 has been spent so far in 2006 to identify an exam vendor.					
<b>Public Relations and Public Education</b> (Includes SRAG, Newsletters, State Regulators Bulletin to ASC Roster)	92,322	117,002	57,610	105,988	372,923
<b>Unreimbursed Title XI AQB Expenses</b> This represents amounts over Grant approved consulting rates and amounts over the grant line item budgets. 2005 was an extremely busy year for the AQB because of the upcoming Criteria changes; however, the 2005 Grant amount was not increased over 2004. This resulted in us being over the grant limit by approximately \$60,000 (after a \$21,000 reprogramming approval.)	24,389	37,081	100,862	34,625	196,957
<b>Unreimbursed Title XI ASB Expenses</b> This represents amounts over Grant approved consulting rates and amounts over the grant line item budgets.	81,591	93,211	101,736	95,106	371,644
<b>Unreimbursed BOT Expenses</b> These amounts represent costs associated with the operation of the Board of Trustees. The grant covers no travel or meeting expenses.	127,877	184,452	254,017	158,422	724,767
<b>ECAFS Expenses</b> This is the Education Advisory Council. They issue advise on and review assistance on the courses.	57,011	41,546	27,440	14,639	140,636
<b>Total program expenses</b>	<b>460,158</b>	<b>574,857</b>	<b>847,764</b>	<b>864,326</b>	<b>2,747,104</b>