

# APPRAISAL SUBCOMMITTEE

5-Year Strategic Plan

FY2024 – 2028

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## Contents

|  |    |
|--|----|
| Message from the Executive Director .....  | 3  |
| Background and Objectives .....  | 4  |
| Leadership Acknowledgements .....  | 5  |
| Mission, Vision, and Values.....   | 6  |
| Strategic Outlook .....  | 7  |
| Overview of Goals and Objectives .....   | 8  |
| Goal 1: Innovate and modernize our processes, technology, and operations.....  | 9  |
| Goal 2: Support States’ Ability to Maintain Compliance with Title XI and Provide Appraisal Foundation oversight..... | 11 |
| Goal 3: Increase Agency’s Competencies, Skills, and Diversity .....  | 14 |
| Conclusion.....  | 15 |
| Contact Information .....  | 16 |

## Message from the Executive Director

As the federal agency charged with oversight of the appraisal regulatory system, our vision is to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its critical role in supporting the financial services industry and consumers. As we plan for our agency's future, we remain committed to delivering on our mission, upholding our values of integrity, excellence, collaboration, service, fairness, and equity. In the face of several external factors, like rapid technological advancements and changing economic conditions, this strategic plan will enable us to be proactive and innovative.

The mission of the Appraisal Subcommittee (ASC or Subcommittee) is, generally, to ensure that appraisals used in federally related transactions are compliant with uniform standards and are performed by competent individuals. The Subcommittee was established by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) whose purpose is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

In recent years, the ASC has raised concerns about the lack of diversity in the appraisal profession, reports of biased behavior by appraisers, and a regulatory system with major limitations. Since 2019, the ASC has held two roundtables to obtain input from experts in the appraisal, mortgage lending, regulatory, fair housing, and civil rights fields. In 2023, the ASC began holding a series of hearings to better understand appraisal bias and the appraisal regulatory system. A 2022 report commissioned by the ASC, completed by a consortium of fair housing and appraisal legal experts, explored the appraisal standards and appraiser qualifications to consider whether they potentially either encouraged or systematized bias; and ultimately to inform efforts to support and promote fairness, equity, objectivity, and diversity in both appraisals and the training and credentialing of appraisers. The study, available on our website (<https://bit.ly/43zqqfM>), resulted in several troubling conclusions and thoughtful recommendations. The issue of bias in the appraisal process, especially, is concerning, and the ASC is uniquely positioned within the appraisal regulatory framework to assess long-standing challenges pertaining both to the profession and to its regulation.

With insight from our Board, our colleagues, the hearings, and public input, we are using the authority we have at our disposal to deliver on our mission.

Jim Park, Executive Director, Appraisal Subcommittee, FFIEC

## Background and Objectives

The ASC is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC) and was established by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Title XI). It has the authority to oversee the real estate appraisal regulatory framework for federally related transactions.

Title XI authorized the ASC to provide federal oversight of State appraiser and appraisal management company (AMC) regulatory programs and to create a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies, which work to protect financial and public policy interests in real estate appraisals utilized in federally related transactions. Funding required to support the ASC and its operations is received from the States' submission of fees collected from AMCs and appraisers.

The ASC is headed by an Executive Director, who works with the ASC Board composed of representatives from the member agencies. The ASC member agencies include Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), U.S. Department of Housing and Urban Development (HUD), Federal Housing Finance Agency (FHFA), and Consumer Financial Protection Bureau (CFPB). Each member agency appoints their representative to serve on the Board. The FFIEC appoints the Board Chairperson for a two-year term. The ASC's Board meets regularly to discuss and make decisions related to the ASC's mission and strategic goals.

For most of the past thirty-three years, our role and responsibilities have not dramatically changed except for the added requirements in the 2010 Dodd-Frank Act to provide oversight to State AMC regulatory programs and establish the National Registry of AMCs. Our staff have faithfully been delivering on our mission. However, over the past few years the appraisal industry has received increased attention and scrutiny, including the ASC, as more focus is given to issues of diversity, equity, and inclusion in appraisal practice and the appraisal regulatory system. The strategic plan development process reflected on our progress against the 2018-2023 Strategic Plan, and considered where the agency needs to be in 2028. The following 2024-2028 Strategic Plan is to guide us there.

The staff and Board of the ASC have taken this opportunity to reflect on its mission and vision, and identified the five core values that will guide the agency over the next five years.

## Leadership Acknowledgements

The ASC engaged in an independent organizational assessment and environmental scan to evaluate the agency's current state, identify strengths and areas for improvement, and assess its adjustment to changes in the appraisal industry. The results of the organizational assessment and environmental scan were used during a strategic planning workshop with agency senior staff.

A special thanks to all those that provided valuable information and insight into this plan, including current and former ASC Board members and staff.

## Mission, Vision, and Values

### MISSION

The mission of the Appraisal Subcommittee (ASC) is to ensure that the appraisal regulatory system promotes real estate appraisals that are conducted with accuracy, independence, and impartiality, in compliance with federal and State regulations. We work to promote excellence in appraisal regulation, support State appraiser regulatory programs, and protect consumers by enforcing the federal requirements State appraisal regulatory programs must follow as well as monitoring and reviewing the work of the Appraisal Foundation. Our goal is to maintain public trust in the appraisal profession by ensuring that appraisers are effectively regulated.

### VISION

At the ASC, we envision a future where every State appraiser program is compliant with Title XI, every appraiser is highly skilled and ethical, and appraisals promote confidence in the nation's economy and financial services industry. We strive to be a leader in promoting excellence in real estate appraisal regulation and fostering collaboration between industry stakeholders. Our vision is to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its competence, independence, objectivity, and diversity.

### VALUES

The ASC is guided by the following core values:

- **Integrity:** We hold ourselves to the highest ethical standards and act with honesty, transparency, and accountability in all our interactions.
- **Excellence:** We strive for excellence in all aspects of our work, continually improving our processes and programs to achieve the best possible outcomes.
- **Collaboration:** We believe that collaboration is essential to achieving our mission, and we work to foster strong relationships with our stakeholders to promote mutual understanding, respect, and partnership.
- **Fairness:** We are committed to treating all individuals and organizations with fairness and respect, regardless of their background, identity, or beliefs.
- **Service:** We are dedicated to serving the public by promoting an effective appraisal regulatory system and a healthy and diverse appraisal industry.

These values guide our decisions and actions, and we are committed to upholding them in all our work.

## Strategic Outlook

The ASC conducted an external environmental scan to identify key external factors beyond the ASC's control that may affect the achievement of its strategic goals and objectives.

- **Statutory and Regulatory Changes:** Any changes made by the legislative or executive branches, respectively, of the federal government, as well as by the 55 States and jurisdictions that fall under the purview of the ASC, may impact the agency's role, responsibilities, and achievement of this Strategic Plan. It may be required for the ASC to adopt new responsibilities or adjust its policies and procedures in response to any legislative or regulatory changes.
- **Economic Conditions:** ASC revenue relies on the National Registry of Appraisers and AMCs. The U.S. economy is experiencing higher interest rates than in the recent past which has decreased lending and appraisal activity and will impact ASC revenue.
- **Work Environment:** The ASC operates as a distributed workforce and has a strong organizational culture. These attributes contribute to the agency's ability to attract and retain a talented and diverse workforce.
- **Technological Advancements:** The ASC will continue upgrading its technology as cybersecurity risks continue to be a threat and opportunities to improve ASC staff training, operations and security expand. Other technological innovations may disrupt the appraisal industry and require changes to the ASC's policies and procedures to keep pace. For example, artificial intelligence (AI) algorithms may be used to automate valuations or offer enhanced risk management by helping to identify potential risks in the appraisal process, such as biased or otherwise inaccurate appraisals, and provide early warning signs to help prevent issues before they occur.
- **Mixed Opinions in Industry:** The stakeholders in the appraisal industry have varied opinions on the industry's future. For example, reactions to the PAVE Task Force recommendations and reports of bias in the appraisal industry ranged across the board, which may create challenges in identifying a common vision for the future of the industry. The ASC will need to participate in, and help guide, these industry-wide conversations to deliver on the agency's Mission and Vision.

## Overview of Goals and Objectives

The ASC is an integral part of the appraisal industry, working closely with its partners and stakeholders to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its critical role in supporting the financial services industry and protecting consumers. The Appraisal Subcommittee is particularly focused on its role in the U.S. to ensure everyone has equitable access to the intergenerational wealth home equity can build.

This Strategic Plan builds on the ASC's recent efforts to adapt to the changing economic conditions, to better understand and address the impact of appraisal bias, and to take advantage of technological advancements in ways that will improve its effectiveness and efficiency.

The ASC has identified three strategic goals for the next five years:

- Goal 1: Innovate and modernize our processes, technology, and operations.
- Goal 2: Support States' Ability to Maintain Compliance with Title XI and Strengthen Appraisal Foundation oversight.
- Goal 3: Increase Agency's Competencies, Skills, and Diversity.



## Goal 1: Innovate and modernize our processes, technology, and operations.

There are several opportunities for the ASC to advance its technological capabilities and to increase its effectiveness and outreach in an increasingly digitized world. To remain efficient in its internal and public-facing processes, the ASC should make use of automated processes that can increase the agency's productivity, accessibility, and the speed of its services. Various tools and software have been or are being developed that can help improve the compliance review (CR) process, IT security, data management, and communication with stakeholders.

To realize this goal, the ASC will accomplish the following objectives:

**Objective 1.1:** Enhance the Board's ability to effectively advise and support the Agency on ways to improve processes, technology, and operations by:

- **Reviewing and revising Board Governance policies to clarify the roles and responsibilities of the Board and staff** to ensure better and more efficient collaboration. As the ASC has gained more responsibilities and more attention from the public, the amount of time and effort in communication with the Board has increased. Clarifying roles and responsibilities will help the ASC identify opportunities to create a more cohesive and efficient framework for decision-making.
- **Increasing Board members training and support to enhance understanding of the ASC, its role in the industry, its services, and the employees' roles and activities**, especially during the onboarding process, will support smoother transitions between Board members and the shared understanding of the Board's role within the ASC.

**Objective 1.2:** Increase efficiency and processes in financial and budget management by implementing improved technology and operations:

- **Converting all State regulatory agencies to the Automated Clearing House system (ACH) for collection of registry fee payments** to increase efficiency, reduce costs, and enhance the ASC's security.
- **Maintaining a one-year operating reserve** to provide financial stability and flexibility to cover any unexpected revenue shortfalls or unexpected expenses.
- **Creating a three- to five-year budget process** to reduce the time and resources spent on building the required annual budget, thereby improving the ASC's ability to conduct long-term planning, and allowing for better resource allocation.
- **Assessing the availability of cloud-based software systems** that will more efficiently manage resources, improve accuracy in reporting, and increase the effectiveness of financial and budget management.

**Objective 1.3:** Improve grants program operations through the use of technology and operations that supports best practices and a full grant management lifecycle by:

- **Supporting the operations of the Grants Program** with dedicated staff and sufficient training.

- **Measuring and monitoring grant performance to quantify effectiveness to State agencies and the Appraisal Foundation** to identify opportunities to innovate for improved performance, providing transparency and accountability to ASC’s stakeholders. Additional benefits will include an increase in application submissions as the grant process is better understood and appreciated by potential grant recipients.
- **Awarding grants to 40% of States and Territories** to improve State compliance with Title XI, including improved access to appraisal services in underserved areas.
- **Making available grants to the Appraisal Foundation for the Appraisal Standards and Appraiser Qualifications Boards in support of their Title XI-related activities.**

Objective 1.4: Implement additional technology and processes to improve technical assistance and collaboration with stakeholders by:

- **Transitioning all 55 jurisdictions to use Application Programming Interfaces (API) for ASC’s National Registries** to enable communications between State regulatory agencies and the ASC’s software applications. This standardization across the 55 jurisdictions will reduce the manual effort involved in translating each registry submission into data formats and conventions needed on the ASC side of the transfer.
- **Implement Compliance Review software supporting the States’ regulatory agencies throughout the entire Compliance Review lifecycle.** This project is in development and will enable ASC’s Program Managers and their State contacts to communicate and file share on a secure platform. As this software continues through the development process, communications will be streamlined by moving the process out of the email medium and maintaining a record of communications within the platform. In addition to more effective communications, staff will save time and reduce errors that often result from manual data entry. The historical data saved will support new hires on the States’ side as they can review the past compliance reviews to better understand the process and their responsibilities.
- **Continue implementation of the unique identifier for appraisers on the National Registry** to improve the accuracy of the data maintained in the National Registries. This will allow the ASC to ensure information about appraisers is identified and tracked accurately, and to avoid confusion that can result from similar or identical names. The unique identifier will also allow for better accountability in the event of any compliance or misconduct issues.
- **Maintaining National Registries security and their continued operations** to provide reliable and efficient access to appraiser and AMC credentialing information to ensure that appraisers and AMCs are eligible to perform appraisals for federally related transactions.
- **Identifying opportunities to provide training for stakeholders,** including State regulatory staff and potential grant recipients.

Objective 1.5: Increase use of technology and operational enhancements to streamline and standardize workflows and improve systems security by:

- **Developing and implementing policies and procedures to leverage technological capabilities of ASC’s tools** to support internal adoption of the available tools for collaboration and communication. The ASC team will be able to streamline decision-making processes and increase productivity and create cost savings for the organization.

- **Improving agency tracking and reporting of operations and projects**, allowing staff to monitor progress through streamlined and automated methods, track budget usage, grant status, compliance review results, and report on key performance indicators. By reducing the manual effort currently involved in its workflows, the ASC will leverage standardized processes that are efficient and effective.
- **Continually review IT and data security** by leveraging assistance from federal partners and reviewing staffing to ensure the ASC has the proper technical assets.

Objective 1.6: Improve agency operations by building internal skills and capabilities of ASC staff to strengthen relationships within the Appraisal Industry by:

- **Developing employees' ability to collaborate with their industry partners and support Agency relationships throughout the industry** to leverage the frontline employees' contacts with stakeholders and to educate and receive input on ASC's responsibilities and activities.
- **Building employees' understanding of and ability to support Agency strategy through their day-to-day tasks**, which will enable more effective and strategic decision-making, and strengthen the ability of employees to think and act innovatively improving the efficiency and effectiveness of the agency.
- **Creating opportunities for cross-training and job shadowing for employees** will increase the Agency's capabilities and minimize the loss of historical knowledge as long-tenured staff retire.

Objective 1.7: Improve the Agency's public relations operations and processes by increasing the frequency and effectiveness of communications to its stakeholders by:

- **Developing and implementing a communications strategy to support the Agency Strategy** through engagement with the public, States, appraisers, and other stakeholder groups.
- **Monitoring registries and compliance review findings for trends and patterns in stakeholder challenges and** developing targeted communications for high-value topics.
- **Bolstering recurring use of social media as a dependable method of contact** with fellow agencies and interested stakeholders.
- **Identifying opportunities for the ASC to interact with the Appraisal Foundation to build relationships at all levels**, discuss joint initiatives, and find areas for improvement in monitoring and review of the Appraisal Foundation.
- **Providing easy-to-access data and analytics** to agency stakeholders, to support data-driven decision-making and oversight.

Goal 2: Support States' Ability to Maintain Compliance with Title XI and Provide Appraisal Foundation oversight.

Oversight and support of the State regulatory agencies and the Appraisal Foundation are important responsibilities of the ASC as directed in Title XI. The ASC should continue to promote and expand its grant program to the States and the Appraisal Foundation in ways that benefit those entities and other

key stakeholders. The ASC also has opportunities to improve the compliance review process and how the Appraisal Foundation is monitored and reviewed. The overarching objective of this goal is to use the agency's authority to promote the use of competent appraisers and effective standards that protect federally related transactions.

To realize this goal, the ASC will accomplish the following objectives:

Objective 2.1: Enhance the ASC's support of State regulatory agencies to improve overall appraiser regulation and compliance with Title XI by:

- **Promoting grants and other opportunities to States** to allow States to better understand and effectively enforce Title XI requirements. Ultimately, this will lead to improved appraisals and better serve the public.
- **Conducting training for State regulatory staff** to provide targeted technical assistance and education on emerging trends and issues within the appraisal regulatory system. This training can serve as a platform to exchange knowledge and ideas, identify trends, and facilitate ongoing dialogue with State regulatory staff and the ASC, as well as across State boundaries. This will lead to more consistent and effective enforcement of Title XI.
- **Develop and enhance available training for State agencies as preparation for their Compliance Review** to provide them with easily digestible training materials, improving the quality of regulatory oversight among States. This will also increase transparency, consistency, and accuracy of appraisal practices among appraisers and regulatory agencies in the States.

Objective 2.2: Continually review the Compliance Review process for opportunities to improve State appraisal program compliance with Title XI and overall oversight by simplifying, streamlining and improving the process by:

- **Implementing Electronic Compliance Review software** to streamline the Compliance Review process and improve data collection and retention.
- **Regularly seeking feedback on the ASC's support, technology, and processes to identify areas for improvement** to simplify and streamline the States' level of effort in maintaining or improving their compliance.
- **Developing the ASC staff's ability to track the progress of compliance reviews**, which will allow the evaluation of Compliance Review processes, track productivity, and ensure transparency.
- **Improve public transparency and reporting** of State Compliance review results and trends.

Objective 2.3: Support States' ability to comply with Title XI and regulate appraisers by proactively identifying and remedying risks to their compliance by:

- **Increasing States' ability to train new staff** and reduce the risk of non-compliance through training and grant funding.
- **Amending internal policy statements, as needed**, to update the language to reflect adjustments made to enhance the ASC's support for States.

- **Communicating regularly with State Programs** to identify developing risks that may threaten compliance. More frequent communications will speed up the Agency's ability to track risks and proactively educate State regulators.
- **Hosting webinars and training sessions on risk management best practices and emerging compliance risks** to quickly share information more efficiently.

Objective 2.4: Monitor and review Appraisal Foundation practices, procedures, activities, and organizational structure to provide effective oversight and adherence to the goals of Title XI by:

- **Reviewing and providing feedback on proposed and existing standards and qualifications** established by the Appraisal Standards Board and Appraiser Qualifications Board to ensure they are understandable and enforceable.
- **Regularly communicating with the Appraisal Foundation boards and staff** on Title XI issues and their organizational structure.
- **Ensuring the appraisal standards and appraiser qualification criteria promote unbiased appraisals** and do not establish unnecessary or discriminatory barriers to enter the appraisal profession.
- **Attending public meetings** of the Appraisal Foundation Boards and private meetings when invited.
- **Partnering with the Appraisal Foundation** on projects that promote an effective appraisal regulatory system.

### Goal 3: Increase Agency's Competencies, Skills, and Diversity

In order for the ASC to be effective in Goals 1 and 2 the agency must have the proper staff resources. Those resources include a sufficient number and competent staff with the skills and diversity needed to effectively execute the agency's mission, goals and objectives. The agency should continually review the staff and its structure for all of these factors.

To realize this goal, the ASC will accomplish the following objectives:

Objective 3.1: Enhance staffing structure that provides the resources needed to meet the legal requirements of a federal government agency by effectively managing and protecting the agency and allows for staff career advancement, succession planning, and improving skills by:

- **Employ a staffing model that includes the positions needed to effectively manage agency operational needs, including senior staff as well as entry- and mid-level positions** to build the ASC's bench strength, allowing mentoring and career planning within the agency, and allowing for succession planning at the leadership levels.
- **Building capable and skilled entry-level employees to allow leaders to delegate tactical tasks**, which will support the leadership's ability to operate at the strategic level, focus on the industry and environment, and ensure the agency is achieving its five-year strategic plan.
- **Creating more specialized positions** to improve agency effectiveness, compliance with legal and regulatory requirements, and overall staff competencies and capabilities.
- **Leveraging Federal Employee Viewpoint Survey (FEVS) results and conducting brainstorming workshops with employees and Board members to make improvements** to the overall organizational structure.

Objective 3.2: Continue building a competent, skilled, and diverse employee base by:

- **Conducting regular assessments of ASC staff to identify skills, abilities, and experience needed** to fill gaps and achieve its Mission.
- **Establish and assess progress against internal diversity, equity, inclusion, and accessibility (DEIA) goals**, stipulations and expectations, and identifying strategies and actions to bolster and promote diversity among the ASC's ranks, reflecting the diversity of the country.

Objective 3.3: Leverage and enhance the Agency's skills and competencies through an inclusive and achievement-oriented culture by:

- **Engaging employees in the refinement of ASC's values and desired culture** through surveys, one-on-one conversations, and recurring discussions.
- **Developing opportunities for employees to build trust, relationships, and collaboration** to strengthen the agency's work culture and increase intra-agency communication.
- **Maintaining overall job satisfaction at 75% on the annual FEVS.** Engaging employees in analyzing the FEVS results and in developing action plans will build better plans and more commitment from the staff.
- **Expanding employee appreciation or recognition programs to celebrate performance, customer service,** and other determined milestones.

## Conclusion

The ASC is committed to promoting excellence in real estate appraisal regulation, fostering collaboration between industry stakeholders, and ensuring public trust in the appraisal profession. We recognize our approach must adapt to the changes we are facing in the financial services industry, evolving appraisal practices and client needs, technology, and society.

Our responsibilities to the American public are foremost in our work, and this strategic plan will guide us as we modernize our technology and operations, strengthen collaboration within the industry, continue to support the States' compliance, and continue to recruit a talented and inclusive workforce that represents the demographics of the American public.

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