2023 ANNUAL REPORT

APPRAISAL SUBCOMMITTEE

APPRAISAL SUBCOMMITTEE
FFIEC

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

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Letter of Transmittal

June 14, 2024

The President of the Senate

The Speaker of the House of Representatives

Pursuant to Section 1103 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (12 U.S.C. § 3332), I am pleased to submit the 2023 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,

Zixta Martinez

Chair

Introduction

The Appraisal Subcommittee

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC)[1] was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI of FIRREA or Title XI). Title XI's 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, and by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision."[2] In general, the ASC oversees the real estate appraisal regulatory framework as it relates to federally related transactions as defined in Title XI.[3]

Title XI requires the ASC to:

- monitor the requirements established by States[4]:
    - for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
    - for the registration and supervision of the operations and activities of appraisal management companies (AMCs)
- monitor the requirements established by the Federal financial institutions regulatory agencies with respect to:
    - appraisal standards for federally related transactions under their jurisdiction; and
    - determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser
- maintain a National Registry of State certified and licensed appraisers (Appraiser Registry) who are eligible to perform appraisals in federally related transactions
- maintain a National Registry of AMCs (AMC Registry) that either are registered with and subject to supervision of a State[5] appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution[6]
- establish and operate an appraisal complaint national hotline, including a toll-free telephone number and email address, for the referral of complaints concerning alleged violations of appraisal independence standards and/or Uniform Standards of Professional Appraisal Practice (USPAP)
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (Foundation)
- transmit an annual report to Congress not later than June 15 of each year that describes the way each function assigned to the ASC has been carried out during the preceding year

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[1] The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. It is an interagency body empowered to set uniform principles for the examination of federally regulated financial institutions.

[2] Title XI § 1101, 12 U.S.C. § 3331.

[3] A federally related transaction includes any real estate-related financial transaction which: (a) a Federal financial institutions regulatory agency engages in, contracts for, or regulates; and (b) requires the services of an appraiser under the interagency appraisal rules. [(Title XI § 1121 (4), 12 U.S.C. § 3350), implemented by the Office of the Comptroller of the Currency: 12 CFR 34.42(g) and 34.43(a); Federal Reserve Board: 12 CFR 225.62and 225.63(a); Federal Deposit Insurance Corporation: 12 CFR 323.2(f) and 323.3(a); and National Credit Union Administration: 12 CFR 722.2(f) and 722.3(a)]. Based on 2014 Home Mortgage Disclosure Act (HMDA) data, at least 90 percent of residential mortgage loan originations are not subject to the Title XI appraisal regulations. (FFIEC report to Congress, *Economic Growth and Regulatory Paperwork Reduction Act,* 82 Federal Register 15900 (March 30, 2017)).

[4] Title XI also covers U.S. territories. See 12 U.S.C. § 3345. Currently, all U.S. States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam and the United States Virgin Islands have Programs. (American Samoa does not have a Program.)

[5] States are not required to have an AMC Program, 49 States and the District of Columbia have AMC Programs; Hawaii, American Samoa, Guam, Northern Mariana Islands, Puerto Rico and United States Virgin Islands do not have AMC Programs. Note: Hawaii has a program that sunset on June 30, 2023.

[6] 12 CFR 1102.400 - 1102.403. The ASC rule to implement collection and transmission of annual AMC registry fees was published by the ASC in the September 25, 2017, issue of the Federal Register (82 FR 44493). The Final Rule's effective date was November 24, 2017.

Title XI also requires the ASC to:

- make grants in such amounts as it deems appropriate to the Foundation to help defray costs relating to the activities of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB)
- make grants to State appraiser certifying and licensing agencies in accordance with policies developed by the ASC[7] to support the efforts of such agencies to comply with Title XI, including—
    - the complaint process, complaint investigations, and appraiser enforcement activities of such agencies
    - the submission of data on State licensed and certified appraisers and AMCs to the Appraiser Registry and the AMC Registry, including information affirming that appraisers or AMCs meet required qualification criteria, and information on formal and informal disciplinary actions
    - reporting to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked or suspended

An unofficial ASC staff version of Title XI is in Appendix H.

The ASC has seven members, each designated respectively by the head of their agency, including the Board of Governors of the Federal Reserve System (Federal Reserve), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Federal Housing Finance Agency (FHFA), and U.S. Department of Housing and Urban Development (HUD). Title XI requires one member of the ASC to be a licensed, certified or professionally designated appraiser. In 2023 this role was filled by Julie Giesbrecht, the FHFA alternate member and Brian Barnes, the HUD alternate member. Title XI also requires the FFIEC to appoint a Chairperson from the member representatives to serve a two-year term, in 2023 this role was filled by Zixta Q. Martinez, the CFPB member.

[7] The ASC adopted a grants handbook on December 12, 2019, which includes all the ASC policies and procedures with regard to grants.

Message from the Chair

The Appraisal Subcommittee (ASC) had another productive year in 2023. The ASC returned to performing on-site Compliance Reviews of State appraiser and AMC regulatory programs and continued to monitor and review the Appraisal Foundation (Foundation). In addition to those core responsibilities, the ASC held hearings on appraisal bias and remained focused on diversity, equity, inclusion and accessibility to the profession.

In 2023, the ASC reviewed 19 State Appraiser Programs. Continuing a trend starting in 2014, overall State Appraiser Programs improved their compliance with Title XI. Seven programs were rated as Excellent and 12 Good. No States were rated as Needs Improvement, Not Satisfactory or Poor, with 100% of the States rated as Excellent or Good. In 2023, the ASC reviewed 19 State AMC Programs, many for the first time. Two programs were rated as Excellent and 17 Good. No States were rated as Needs Improvement, Not Satisfactory or Poor, with 100% of the States being rated as Excellent or Good. More information regarding the 2023 Compliance Reviews can be found in Appendix B.

The ASC continued to engage with the Foundation to meet its monitor and review mandate. Activities included attending public Foundation meetings and engaging with the Foundation with respect to the Foundation's response to the comprehensive review of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the *Real Property Appraiser Qualification Criteria* (Criteria), as well as related and required courses to attain and maintain licensure as an appraiser.[8] In addition, the chairs of the Foundation's ASB and AQB served as witnesses in an ASC hearing in May 2023.

The ASC held three hearings in 2023. Section 1106 of FIRREA provides that hearings are an authorized activity. The 2023 hearings, which focused on appraisal bias and were open to the public, represented the first time the ASC used this authority. The first hearing, held on January 24th set the stage for future hearings; the second hearing, held on May 19th discussed the appraisal regulatory system; and the third hearing, held on November 1st, focused on appraisal development. The ASC intends to hold an additional hearing on February 13, 2024. Further information regarding the ASC hearings can be found on page 21 and on the ASC's website, asc.gov, under the resources tab.

The ASC adopted its 2024-2028 Strategic Plan in November. The agency's Mission Statement was updated and a new Vision Statement was published. The strategic plan includes Core Values, Goals and Objectives and is available on the ASC website at https://www.asc.gov/node/844487.

The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), which includes all ASC member agencies and the ASC itself, published a state-by-state dashboard that shows barriers to entry to the appraisal profession imposed by States and where those exceed AQB minimum qualifications. The Biden Administration created PAVE in 2021 to be "…a first-of-its-kind interagency initiative to address inequity in home appraisals [to] utilize, quickly, the many levers at the federal government's disposal, including potential enforcement under fair housing laws, regulatory action, and development of standards and guidance in close partnership with industry and state and local governments, to root out discrimination in the appraisal and homebuying process."[9] ASC staff were instrumental in performing the research for this project. The dashboard can be found at Reduce Barriers to the Appraisal Profession | PAVE | PAVE (hud.gov).

The ASC conducted three public quarterly meetings. During the September 13, 2023, public meeting, the ASC approved the Fiscal Year 2024 Budget, including:

$11.3 million in projected revenue

$8.9 million in expenses, including $2.275 million in new federal grants

The ASC continues to operate its grant program to support State Programs and the Foundation. In 2023, the ASC continued to provide grants to 15 States and more than $780,000 was drawn down on all State grants in 2023. The Foundation has not

[8] The report is available on the ASC website at https://bit.ly/2022NFHAAnalysis.

[9] WHITE HOUSE (2021), https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/01/fact-sheet-biden-harris-administration-announces-new-actions-to-build-black-wealth-and-narrow-the-racial-wealth-gap/ (last visited Nov 24, 2023).

applied for a grant since 2020. More information regarding ASC grants can be found on page 13.

The ASC continues to operate its Appraisal Complaint National Hotline (Hotline). The Hotline now includes resource information on where to file complaints of alleged appraisal bias, lender discrimination, or violation(s) of the federal Fair Housing Act. The Hotline incorporates a toll-free telephone number, e-mail address, and website for referring complainants to the appropriate State and/or Federal agency for complaints of alleged violations of USPAP and/or non-compliance with appraisal independence standards. Hotline statistics for 2023 are in Appendix F.

The ASC added vital staff in 2023. Regeane Frederique took over the vacant Grants Director position and Oteal Griffin was hired as an administrative assistant.

Claire Brooks, longtime ASC staff member and Policy Manager retired in 2023.

In closing, 2023 was an active and eventful year for the ASC. The ASC continues to prioritize a commitment to equity, fairness, and diversity in the appraisal profession.

Appraisal Subcommittee Representatives

Consumer Financial Protection Bureau

Chair: Zixta Martinez
since April 2022

Martinez is the Deputy Director.

Alternate Member: John Schroeder
since July 2019

Federal Deposit Insurance Corporation

Vice-Chair: Luke Brown
since May 2022

Brown is the Associate Director for Supervisory Policy, Division of Depositor and Consumer Protection.

Alternate Member: Tom Lyons since May 2022

Board of Governors of the Federal Reserve System

Member: Suzanne Williams
since May 2022

Williams is a Deputy Associate Director, Division of Supervision and Regulation.

Alternate: Keshia King since May 2022

U.S. Department of Housing and Urban Development

Member: Elizabeth Davis
since October 2023

Davis is the Housing Program Officer in the Office of the Deputy Assistant Secretary for Single Family Housing.

Alternate Member: Brian Barnes since February 2020

Federal Housing Finance Agency

Member: Maria Fernandez
since October 2014

Fernandez is a Senior Associate Director, Housing and Regulatory Policy.

Alternate Member: Julie Giesbrecht
since January 2022

National Credit Union Administration

Member: JeanMarie Mattingly
since March 2022

Mattingly is the Deputy Director of Credit Union Resources and Expansion.

Alternate Member: Victoria Nahrwold
since October 2022

Office of the Comptroller of the Currency

Member: Enice Thomas
since January 2021

Thomas is the Deputy Comptroller for Credit Risk Policy.

Alternate Member: Jim Rives since December 2019

Administration of the Appraisal Subcommittee

Staff Listing

James R. Park, Executive Director

Denise E. Graves, Deputy Executive Director

Vacant, General Counsel

Regeane Frederique - Grants Director

Vacant, Compliance Manager

Vacant, Attorney-Advisor

Ada L. Bohorfoush, Attorney-Advisor

Natalie E. Lutz, Attorney-Advisor

Lori L. Schuster, Management and Program Analyst

L. Girard Hull, Financial Manager

Brian T. Kelly, Administrative Officer/Project Manager – IT

Maria M. Brown, Policy Manager

Neal R. Fenochietti, Policy Manager

Kristi A. Klamet, Policy Manager

Tom W. Lewis, Policy Manager

Jenny Howard Tidwell, Policy Manager

Vacant, Policy Manager

Vacant, Senior Grants Management Specialist

Vacant, Grants Management Specialist

Vacant, Regulatory Affairs Specialist

Oteal T. Griffin, Administrative Assistant

ASC Meetings

The ASC held regular virtual meetings in March, June, and September of 2023.

The ASC held special virtual meetings in April and May of 2023.

The ASC held special closed virtual meetings in April, May, July, August, September, October, November and December of 2023.

State Appraiser and AMC Program Oversight

The ASC issues Policy Statements to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI. Current Policy Statements are set forth in Appendix H, which follows this Annual Report.

The ASC monitors State Appraiser and AMC Programs primarily through on-site visits to the States. The ASC performs an on-site Compliance Review of each State at least once every two years. *(See Appendix D, Tools for Monitoring State Compliance with Title XI.)* Programs that evidence noncompliance in one or more areas may be subject to additional oversight, including Follow-up Reviews, an accelerated Review Cycle, and/or off-site monitoring. From 2020-2022 on-site visits to the States were suspended due to ongoing safety precautions related to the coronavirus. On-site visits resumed this year.

The ASC's Compliance Review process is a risk-based review process, focusing on areas of State Appraiser or AMC Programs that are not in compliance with Title XI or that exhibit characteristics that could lead to non-compliance. The ASC's rating criteria for Compliance Review Reports focus on three key components: (1) complying with Title XI mandates and requirements of ASC Policy Statements; (2) maintaining a strong regulatory program; and (3) limiting overall risk of Program failure.

Compliance Reviews are scheduled over a three to four-day period to coincide with a meeting of the State Program's decision-making body whenever possible. Preliminary Findings are communicated to the State in an ASC staff report and the State is given 60 days to respond. ASC staff then considers the State's response and makes formal recommendations for final disposition. The ASC, or its designated representative acting under delegated authority, considers the ASC staff report and recommendations along with responses from the State Program before rendering a decision. A final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI is then issued. *(See Appendix B, 2023 Compliance Review Findings.)* Actions taken under delegated authority are presented to the ASC at its next regularly scheduled meeting.

State Programs are issued one of the following Findings:

- Excellent
- Good
- Needs Improvement
- Not Satisfactory
- Poor

Appraiser Programs

In 2023, for Appraiser Programs, ASC Policy Managers completed 19 Reviews, 2 Priority Contacts, and no Follow-up Reviews . *(See Appendix B, 2023 Compliance Review Findings.)* Of the 19 Appraiser Program Compliance Reviews completed in 2023, 7 States (37%) received a Finding of Excellent; 12 States (63%) received a Finding of Good; and no State received a Finding of Needs Improvement, Not Satisfactory, or Poor. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2023 Compliance Review Findings (Appendix B)*.

The ASC identifies Appraiser Programs that may have a significant impact on the nation's appraiser regulatory system. The following 12 States, listed alphabetically, collectively represent over 50% of the credentialed appraisers on the Appraiser Registry: California, Colorado, Florida, Georgia, Illinois, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia and Washington. The ASC conducts Priority Contact (PC) visits with these States in years where Compliance Reviews are not scheduled. The ASC also performs a PC on individual States when a specific concern warrants special attention by the ASC.[10] The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State.

[10] Priority Contact visits may be performed onsite or virtually.

AMC Programs

In 2023, the ASC completed the first full year of reviewing AMC Programs. The ASC completed 19 Compliance Reviews of AMC Programs, representing an increase in the number of AMC Program Compliance Reviews of more than 35% over any previous year, of the 19 AMC Program Compliance Reviews completed in 2023, 2 States received a Finding of Excellent; 17 States received a Finding of Good; and no State received a Finding of Needs Improvement, Not Satisfactory, or Poor. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2023 Compliance Review Findings (Appendix B)*.

Appraisal Foundation Monitoring and Review

ASC Oversight of the Appraisal Foundation

Monitoring and Reviewing the Foundation

Title XI requires the ASC to "monitor and review the practices, procedures, activities and organizational structure" of the Foundation.[11] Historically, the ASC has carried out this responsibility in several ways, including:

- attendance at all relevant public ASB, AQB and Board of Trustees (BOT) meetings
- providing informal and formal comments and input on proposed changes to USPAP and the AQB Criteria
- providing informal and formal comments and input on activities of the BOT that impact the Foundation's Title XI-related activities

In addition to attending Foundation meetings, the ASC provided written comments to the ASB regarding the Fourth Exposure Draft of proposed changes to *USPAP*, urging the ASB to work with stakeholders and to include legal expertise to ensure proper consideration is given to how changes in USPAP will be received and impact appraisal practice. The ASC also provided written comments to the AQB regarding the Second Exposure Draft of changes to the Criteria.

The ASC Board maintained an ongoing dialogue with the BOT in 2023.

[11] Title XI § 1103(b), 12 U.S.C. § 3332 (b).

ASC Grants

The vacant Grants Director position was filled in February. During the first three months of onboarding, the Grants Director focused efforts on assessing the needs of ASC grant operations and building relationships with internal and external stakeholders to devise a strategic plan that would re-establish the ASC's commitment to grantmaking. This outreach included a presentation to the Association of Appraiser Regulatory Officials Spring Conference. The Grants Director has also been selected to serve as the Senior Financial Assistance Officer (SFAO) supporting the Small Agency Council (SAC) for the Biden-Harris Administration established Council on Federal Financial Assistance (COFFA).

The ASC determined that critical grantmaking policy documents like the ASC Grants Handbook and the Notice of Funding Availability (NOFA) for the State Regulatory Agencies, commonly referred to as the State Grants, needed to be revised, updated, and approved to begin accepting new grant applications. That work was done collaboratively across the interested ASC stakeholders, and final drafts of both documents were provided to the Board for final approval and are expected to be approved in January 2024.

The ASC also determined that additional staff would be needed to support the grant program workload. The Board approved the addition of 2 new positions, and those positions should be filled in 2024.

The ASC grantmaking-related activities in 2023 included:

Training and Technical Assistance Cooperative Agreement

The ASC published a competitive NOFA in 2020 soliciting applications for a new grantee to work closely with ASC to deliver training and technical assistance to State Appraiser and AMC regulatory agencies, and commission research on the appraisal industry to support the goals of Title XI and advance the profession in general. The Council on Licensure, Enforcement and Regulation (CLEAR) was the recipient of this award. CLEAR has been awarded $1,894,305 over a 3-year period to carry out planned training and technical assistance to State regulatory agencies and special research projects that support the appraisal profession.

CLEAR worked on the development of an in-person Appraiser /Appraisal Management Company (AMC) Investigator II Scenarios training. That course should be completed in 2024. CLEAR also achieved key milestones in data development of the survey of the appraiser profession initiative. Activities include the development of research questions and finalizing both the sampling and analysis plan for the appraiser profession survey.

State Grants

Title XI authorizes the ASC to make grants directly to the 55 eligible States and U.S. Territories in accordance with policies developed by the ASC in support of States' Title XI activities. Funds can be used to improve State appraiser and AMC regulatory processes and advance the appraisal industry with high-quality, impact-oriented programming.

Grants are awarded on a 3-year cycle with the funding provided annually. Since 2020, the ASC has awarded close to $3,000,000 in funds to support activities that included hiring additional investigator staff, training for staff and board members, technology upgrades, and the creation of a new training experience program to support and accelerate credentialing of new appraisers in States experiencing a shortage of appraisers. Grants have been awarded to 15 States, or 25% of the entities eligible.

The 15 States receiving ASC grants are: Arizona, Arkansas, Connecticut, Hawaii, Illinois, Kentucky, Louisiana, Minnesota, Mississippi, Montana, North Carolina, South Dakota, Texas, Utah, and Vermont.

Strategic Plan

In November, the ASC adopted its 2024-2028 Strategic Plan. 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 ASC 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, resulted in several troubling conclusions and thoughtful recommendations. The issue of bias in the appraisal process is especially 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.

Mission

The mission of the 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.

The strategic plan outlines three broad goals.

1. Innovate and modernize our processes, technology, and operations
2. Support States' ability to maintain compliance with the appraiser and AMC programs
3. Increase the agency's ability to attract and retain a diverse talent pool

Each goal is further defined with multiple objectives.

The entire strategic plan is available on the ASC website at https://www.asc.gov/node/844487

Appraiser Registry

Title XI requires the ASC to maintain an appraiser registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions (Appraiser Registry).[12] As of December 31, 2023, the Appraiser Registry contained 94,522[13] appraiser credentials, up slightly from the 94,299 entries at the end of 2022 *(See Appendix C, National Registry Statistics)*

The Appraiser Registry is accessible at the ASC's website (www.asc.gov) and is used by appraisers, Federal and State agencies, financial institutions, users of appraisal services, law enforcement, and consumers. Use of the Appraiser Registry is free. The Appraiser Registry allows users to determine whether an appraiser is State certified or licensed to perform appraisals in connection with federally related transactions. Users can also access an appraiser's credential status and determine whether the appraiser's credential is currently suspended, revoked, or surrendered in lieu of State disciplinary action.

The Appraiser Registry facilitates information sharing that assists State Programs in enforcing their appraiser-related statutes and regulations, including temporary practice and reciprocity. Financial institutions and other users also can access the Appraiser Registry to:

- Receive automatic notifications about new revocations, suspensions, surrenders, and certification and license expirations
- Download publicly available information or parts of the Appraiser Registry into predefined queries and user-customized queries
- Verify appraiser credentials
- Set up automatic queries of Appraiser Registry information using a web service which allows computer systems used by lenders, regulatory agencies and other authorized parties to integrate directly with the Appraiser Registry

States reported 9,045 disciplinary actions taken against appraisers over the past 10 years. *(See Appendix E, Disciplinary Actions Reported by States.)*

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[12] Title XI § 1103(a)(3), 12 U.S.C. § 3332(a)(3).

[13] This number does not represent the number of individual appraisers as some appraisers have credentials from multiple States.

AMC Registry

Title XI requires the ASC to maintain an AMC Registry of AMCs that either are registered with and subject to supervision of a State AMC Program or are Federally regulated.[14] The AMC Registry became available for States to populate on July 16, 2018. As of December 31, 2023, the AMC Registry included 49 States registering AMCs, the same number of States as in 2022. The AMC Registry is accessible at the ASC's website (www.asc.gov), and is used by appraisers, Federal and State agencies, financial institutions, users of appraisal services, law enforcement, and consumers. Use of the AMC Registry is free. The AMC Registry allows users to determine whether an AMC meets the federal definition of an AMC and is registered in a particular State. Users can also access an AMC's registration status and determine whether the AMC is currently suspended, revoked or surrendered in lieu of State disciplinary action.

The AMC Registry facilitates information sharing that assists State Programs in enforcing their AMC-related statutes and regulations. Financial institutions and other users also can access the AMC Registry to:

- Receive automatic notifications about new revocations, suspensions, surrenders, and registration expirations
- Download publicly available information or parts of the AMC Registry into predefined queries and user-customized queries
- Set up automatic queries of AMC Registry information using a web service that allows computer systems used by lenders, regulatory agencies, and other authorized parties to integrate directly with the AMC Registry

States reported 154 disciplinary actions taken against AMCs over the past 5 years (the AMC Registry opened in 2018). *(See Appendix E, Disciplinary Actions Reported by States.)*

[14] Title XI § 1103(a)(6), 12 U.S.C. § 3332(a)(6).

Appraisal Complaint National Hotline

Title XI requires the ASC to maintain a national hotline to receive complaints of non-compliance with the appraisal independence standards and/or USPAP, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process.[15] The ASC began operation of the Appraisal Complaint National Hotline (Hotline) on March 15, 2013. The Hotline refers complainants to the appropriate State and/or Federal agencies to handle complaints of alleged non-compliance with USPAP and/or appraisal independence standards. The Hotline now includes resource information on where to file complaints of alleged appraisal bias, lender discrimination, or violation of the Fair Housing Act. The Hotline consists of three components: a website (ReferMyAppraisalComplaint.asc.gov), an online contact form, and a call center with a toll-free telephone number (877-739-0096).

The Hotline website received 3,144 contacts in calendar year 2023. Additionally, the toll-free telephone number received 702 calls and the email portal received 72 contacts. These contacts resulted in 111 referrals to State and Federal agencies. Appendix F, *Appraisal Complaint National Hotline,* contains more detailed information on the source of contacts, specific agency referrals and whether the contact concerned issues of potential non-compliance with appraisal independence standards or violations of USPAP. Since the Hotline was designed as a referral system, it does not collect data on the resolution of complaints referred to the State or Federal agencies. Appendix G, *Agency Complaint Data,* also contains data reported by the Federal financial institution regulatory agencies and the CFPB concerning complaints received by them during calendar year 2023. The numbers reported in this table differ from those reported in the ASC's table for several reasons. The Hotline is a referral tool available to a wide range of users; consequently, not all complainants who access the Hotline will proceed to filing a complaint with one of the agencies, or they may choose to file a complaint with their State appraiser regulatory agency. Additionally, the reported data includes all appraisal-related complaints received by the Federal agency without identifying whether the complainant used the Hotline to obtain the referral information. States do not report data on appraisal-related complaints to the ASC, although a State's processing and disposition of complaints are part of the Compliance Review process.

[15] Title XI § 1122(i), 12 U.S.C. § 3351(i).

Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the Federal financial institutions regulatory agencies and HUD adopted appraisal-related rules and policies. The OCC, Federal Reserve, FDIC and NCUA also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines) for federally regulated institutions' appraisal and evaluation program.[16] The Guidelines address an institution's collateral valuation function, including appraisal independence, minimum appraisal standards for federally related transactions, the development and content of evaluations, appraisals for residential tract development lending and background on USPAP. The appraisal regulations require institutions regulated by the applicable agencies to ensure that appraisals supporting federally related transactions, among other things, comply with USPAP and are performed by a State certified or State licensed appraiser.[17]

[16] *See 75 Federal Register* 77450 (December 10, 2010).

[17] FDIC: 12 CFR Part 323, subpart A; Board: 12 CFR 225.61(b); 12 CFR Part 208, subpart E; OCC: 12 CFR Part 34, subpart C; NCUA: 12 CFR Part 722.

Interagency Activity

Quality Control Standards for Automated Valuation Models (AVM) Rulemaking

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Federal Reserve), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB), and the Federal Housing Finance Agency (FHFA) (collectively the Agencies) issued a proposed rule on June 21, 2023 implementing the quality control standards mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer's principal dwelling. The comment period for this proposed rule ended on August 21, 2023 and the Agencies are actively reviewing public comments received.

Interagency Guidance on Reconsiderations of Value (ROV) of Residential Real Estate

The Board, CFPB, FDIC, NCUA, and OCC issued proposed guidance on July 21, 2023, that would highlight risks associated with deficient residential real estate valuations and describe how financial institutions may incorporate ROV processes and controls into established risk management functions. The comment period for this proposed guidance ended on September 19, 2023, and these agencies are actively reviewing public comments received.

Property Appraisal and Valuation Equity (PAVE) Federal Task Force

PAVE Task Force members developed and began executing activities of the *Action Plan to Advance Property Appraisal and Valuation Equity* - the blueprint for how all Americans can benefit fairly from the equity built through homeownership. The PAVE Action Plan:

- Outlines the historical role of racism in the valuation of residential property
- Examines the various forms of bias that can appear in residential property valuation practices
- Describes how government and industry stakeholders will advance equity through concrete actions and recommendations

PAVE Task Force actions to date are addressing the following PAVE Action Plan commitments:

1. Strengthening guardrails against unlawful discrimination in all stages of residential valuation
2. Enhancing fair housing and fair lending enforcement and driving accountability in the industry
3. Building a well-trained, accessible, and diverse appraiser workforce
4. Empowering consumers to take action
5. Giving researchers and enforcement agencies better data to study and monitor valuation bias

Higher-Priced Mortgage Loans

On October 13, 2022, the CFPB, Federal Reserve, and the OCC announced that the threshold for exempting loans from special appraisal requirements for higher-priced mortgage loans during 2023 increased from $28,500 to $31,000. The threshold amount became effective January 1, 2023, and is based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) as of June 1, 2022.

The Dodd–Frank Wall Street Reform and Consumer Protection Act added special appraisal requirements for higher-priced mortgage loans, including that creditors obtain a written appraisal based on a physical visit to the interior of the home before making a higher-priced mortgage loan. The rules implementing these requirements contain an exemption for loans of $25,000 or less, adjusted annually to reflect CPI-W increases.

Member Agency Activity

Several ASC member agencies issued appraisal-related rules, guidance, and training in addition to the interagency rulemaking projects.

Consumer Financial Protection Bureau

In January 2023, the CFPB hosted the first-ever ASC public hearing. The hearing, which featured a panel of expert witnesses, focused on the scope and impact of appraisal bias. This was the first of a series of ASC hearings on appraisal bias that the CFPB participated in.

In February 2023, the CFPB's Fair Lending Director, together with senior officials from the Department of Justice, HUD, Federal Reserve, FDIC, OCC, NCUA, and FHFA submitted a joint letter to The Appraisal Foundation (TAF) expressing concerns about a draft Ethics Rule issued by TAF. The letter urged TAF to revise the rule to include a detailed statement of the applicable federal prohibitions against discrimination.

In March 2023, the CFPB and the Department of Justice filed a joint Statement of Interest in an action pending in the United States District Court for the District of Maryland. The joint Statement of Interest explains when mortgage lenders can be liable under the Fair Housing Act and the Equal Credit Opportunity Act for relying on discriminatory appraisals.

The CFPB, together with the FRB, FDIC, FHFA, NCUA, and OCC, proposed a rule in June 2023 to make automated valuation models (AVMs) fairer and more accurate. The proposed rule would, if finalized, create basic safeguards to mitigate the risks associated with AVMs. Covered institutions that employ these models to help make decisions such as home value decisions would have to take steps to boost confidence in valuation estimates and protect against data manipulation. The proposed rule would also require companies to have policies and processes in place to avoid conflicts of interest, to conduct random sample testing and reviews, and to comply with nondiscrimination laws.

In June 2023, the CFPB, FDIC, FRB, NCUA, and OCC requested public comment on proposed guidance addressing reconsiderations of value (ROV) for residential real estate transactions. The proposed guidance advises on policies that financial institutions may implement to allow consumers to provide financial institutions with information that may not have been considered during an appraisal or if deficiencies are identified in the original appraisal. The proposed guidance shows how ROVs intersect with appraisal independence requirements and compliance with applicable laws and regulations. The proposed guidance describes how financial institutions may create or enhance their existing ROV processes while remaining consistent with safety and soundness standards, complying with applicable laws and regulations, preserving appraiser independence, and remaining responsive to consumers.

Federal Reserve Board

In 2023, Federal Reserve staff collaborated with other agencies to issue a proposed rule that would implement quality control standards for automated valuation models used by mortgage originators and secondary market issuers in valuing real estate collateral securing mortgage loans.[18] In addition, Federal Reserve staff worked with other agencies to issue proposed guidance addressing reconsiderations of value for residential real estate transactions, including policies that financial institutions may implement to allow consumers to provide information that may not have been considered during an appraisal or if deficiencies are identified in the original appraisal.[19] The proposed rule and guidance had previously been listed as action items in the Property Appraisal and Valuation Equity Task Force's Action Plan.[20]

Federal Reserve staff continued to engage with stakeholders in the appraisal industry, including

[18] See "Agencies request comment on quality control standards for automated valuation models proposed rule." June 01, 2023. https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230601a.htm.

[19] See "Agencies propose interagency guidance on reconsiderations of value for residential real estate valuations." June 08, 2023. https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230608a.htm.

[20] See "Action Plan to Advance Property Appraisal and Valuation Equity." March 2022. https://pave.hud.gov/actionplan#:~:text=In%20the%20coming%20months%20the,or%20ethnic%20bias%20in%20appraisals

participation in three ASC public hearings on appraisal bias. The first hearing was held in January 2023 and focused on understanding the home appraisal system and the root causes of appraisal bias. The second hearing was held in May 2023 and covered appraisal standards, appraiser qualification criteria, barriers to entry into the profession, and appraisal practices. The third hearing, in November 2023, focused on how a residential appraisal is developed and reviewed, the process for reconsiderations of residential real estate valuations, and appraisals in tribal and rural areas. These hearings included a wide range of witness testimony, including appraisal professionals, homeowners, industry representatives, government-sponsored enterprises, and academic researchers. Federal Reserve staff also participated in other outreach efforts, including panel discussions, to explain the federal banking agencies' appraisal regulations and guidance to financial institutions, appraisal professionals, users of appraisal services, and state appraiser regulators. Federal Reserve staff continued to publish Community Banking Connections,[21] a web-based publication that provides community bankers with access to information on safe and sound banking practices, which has covered topics related to the appraisal regulations.

Office of the Comptroller of the Currency

In 2023, OCC leadership and staff participated in outreach, policy development, and other activities with various constituents in the appraisal profession. Constituents included appraisers, industry associations, users of appraisal services, community development organizations, inter-governmental task forces, bankers, and other regulators. These activities included in-person, virtual, and hybrid meetings, panel discussions, webcasts, podcasts, and seminar presentations. The OCC also provided training, information, and guidance on real estate lending, appraisals, and evaluations for internal and external audiences. In addition, the OCC published guidance to assist bank examiners in navigating the Hawaii Appraisal Management Company registry termination.

Through the affordable homeownership workstream of the OCC's innovative initiative, Project REACh (Roundtable for Economic Access and Change), the OCC regularly convened leaders from banking, business, technology, community groups and national civil rights organizations to address homeownership barriers. In 2023, the following were notable achievements:

- The Reconsideration of Value (ROV) workstream finalized ROV best practices.
- The creation of an Appraiser Diversity Initiative (ADI).
- The creation of an Appraisal Gap workstream to address the valuation gap, by leveraging existing efforts, studies, technology, rules and guidance.

The OCC hosted the Appraisal Subcommittee's (ASC) hearing on appraisal bias on February 13, 2024 at its headquarters, 400 7th Street SW, Washington, D.C.

Federal Deposit Insurance Corporation

FDIC staff participated in outreach programs to explain its appraisal regulations and guidance to various members of the appraisal profession as well as users of appraisal services and appraiser regulators throughout 2023. Through this outreach, the FDIC provided information on real estate lending, appraisals, and evaluations. The FDIC continued to collaboratively work with the other federal agencies on interagency rulemakings for appraisal-related provisions of the Dodd-Frank Act, as well as on action items in the Interagency Task Force on Property Appraisal and Valuation Equity related to valuation bias and reconsiderations of value.

The FDIC joined other member agencies of the ASC to host a series of hearings addressing appraisal bias. The public hearings were held to better understand the challenges and potential solutions related to appraisal bias.

Additionally, the FDIC expanded its consumer protection examination approach to include consideration of appraisal-related matters in its existing fair lending review process. This includes enhancing the risk scoping process to evaluate a bank's compliance management system for appraisals. The FDIC also developed enhanced examiner training to heighten awareness of potential bias in the appraisal process.

Furthermore, as part of the FDIC's commitment to address appraisal bias, the FDIC published the

[21] For more information on Community Banking Connections please visit https://www.communitybankingconnections.org/.

FDIC Consumer News article, "Understanding Appraisals and Why They Matter," and created the FDIC "Tips on Appraisal Bias and Valuation to Address Consumers' Frequently Asked Questions" webpage to serve as a resource for consumers. The webpage provides educational and other information on appraisal bias and on the PAVE Action Plan. The webpage also includes information on ROVs and links to the ASC's Appraisal Complaint National Hotline, the FDIC Information and Support Center, and HUD, in the event consumers have concerns about their property valuation.

National Credit Union Administration

In 2023, NCUA remained an active member of the PAVE Task Force, the interagency initiative addressing inequities in home appraisals through the development of regulation, guidance, and education and training for consumers, examiners, and industry professionals. Since the PAVE Action Plan was released by the White House in March 2022, critical progress has been made towards:

- empowering consumers with new tools to address appraisal bias;
- leveraging data to identify appraisal bias trends; and
- supporting a well-trained and more representative appraiser profession.

NCUA continues its efforts and participation in outreach, policy development, consumer information, and guidance on this topic. NCUA has posted PAVE consumer education and resources on NCUA.gov, including FAQs, and hosted public events and webinars on appraisal bias including "Appraisal Bias and Increasing Fair Access to Communities of Color" and "Expanding Homeownership Opportunities by Combating Appraisal Bias." NCUA additionally participated as an agency representative at the ASC Hearings dedicated to the topic of appraisal bias. The hearings brought together the federal agencies and industry experts to define the problem and discuss potential solutions.

The PAVE Action Plan includes the in-process rulemaking on Quality Controls for Automated Valuation Models or AVMs, which is mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act. The NCUA joined the FDIC, OCC, FRB, CFPB, and FHFA to collectively issue the proposed rule for comment in June 2023. The proposed rule would generally require mortgage originators and secondary market issuers that use AVMs to determine the collateral worth of a mortgage secured by a consumer's principal dwelling to adopt policies, practices, procedures, and control systems to ensure that AVMs used in these transactions adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs, protect against the manipulation of data, seek to avoid conflicts of interest, require random sample testing and reviews, and comply with applicable nondiscrimination laws. The comment period closed August 21, 2023. The comments received are currently under review.

In addition, NCUA collaborated with the FDIC, OCC, CFPB, and the FRB and combined resources to issue guidance on Reconsideration of Value, or ROV, of residential real estate valuations. This proposed interagency guidance was published July 21, 2023; the comment period closed September 19, 2023. The comments received are under review. The forthcoming interagency guidance is another joint effort to address appraisal bias.

In the joint effort to address appraisal bias, NCUA continues to follow its primary mission: "Protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance." NCUA continues its commitment to combatting valuation bias through regulatory and supervisory authority. Internally, NCUA workgroups continue to focus on areas of improvement in regulations, guidance to credit unions and consumers, training for examiners, and outreach to the public. Fair lending, including appraisal bias, was one of NCUA's 2023 consumer financial protection supervisory priorities. We reviewed our existing guidelines and procedures to identify proposed changes for implementation in 2023. We updated information on our websites, NCUA.gov and MyCreditUnion.gov, to address appraisal-related issues so that consumers can learn more about appraisals, recourse options and available resources. Also, our Diversity, Equity, and Inclusion Summit included sessions on access to affordable homeownership and appraisal bias to further our outreach efforts.

Department of Housing and Urban Development

In fiscal year 2023, the Federal Housing Administration (FHA) continued our important role in serving populations not adequately served by the private mortgage market. More than 82 percent of FHA purchase mortgage insurance endorsements in fiscal year 2023 went to first-time homebuyers. And as in past years, the share of FHA's total endorsements that went to borrowers of color significantly exceeded that of other market participants. According to the most recent data available, the percentage of FHA's volume comprised of mortgages made to Black borrowers was triple the rate of the rest of the market, and for Hispanic borrowers it was double. Finally, according to calendar year 2022 data, close to half of all rural homebuyers who obtained low down-payment mortgages obtained mortgages insured by FHA.

Supporting homeownership for communities of color is a core element of FHA's mission and a significant part of FHA's business. In fiscal year 2023, 30.63% of FHA-insured forward mortgages (224,304 mortgages) were for borrowers of color. Notably, 15.45% were for Hispanic borrowers, and 12.69% for Black borrowers. In calendar year 2022, FHA's percentage of mortgages to Black or Hispanic borrowers exceeded the market average by 26 percentage points.

FHA's ongoing focus on helping borrowers struggling financially because of COVID-19 yielded substantial results in FY23. FHA's other loss mitigation home retention options have helped almost 445,000 borrowers to regain their financial footing and avoid foreclosure over the course of the fiscal year. As of September 30, 2023, FHA's serious delinquency rate dropped to 3.93%, marking a significant reduction of 7.97 percentage points from the peak in November 2020.

In FY23, FHA continued to review its policies and programs to identify and address barriers to achieving racial equity. FHA took concrete action in key areas to advance equitable access to credit and address racial bias in the appraisal process. These actions included:

- During the fiscal year, FHA completed the actions necessary to contribute its appraisal data to the Federal Housing Finance Agency's efforts to create a shared, centralized federal appraisal database. When available, the database will help to inform research into equitable valuation strategies, potential enforcement actions, and policies and practices to mitigate bias.
- FHA is working to ensure that any borrower who suspects they have been a potential victim of appraisal bias knows what their options are to report their concerns, including requesting a reconsideration of a value (ROV) when the initial valuation is lower than expected. In January 2023, FHA sought public feedback on a draft Mortgagee Letter (ML) defining its standards for borrower initiated ROV requests. Following robust feedback on that policy, FHA and the Federal Housing Finance Agency formed a working group to increase coordination and develop more consistent standards for the ROV processes of FHA, Fannie Mae, and Freddie Mac. These standards will be released in FY 2024.

Federal Housing Finance Agency

Consistent with their 2023 Scorecard, Fannie Mae and Freddie Mac (the Enterprises) continued efforts to modernize single-family appraisal processes and practices.[22] Throughout 2023, the Enterprises implemented new policies and tested alternate processes aimed at modernizing single-family residential valuation, improving data quality, reducing potential appraisal bias, and supporting effective risk management. This work included enhancements to their alternative valuation product offerings and ongoing engagement with industry stakeholders including lenders, appraisers, software providers, insurance companies, appraisal management companies, inspection companies, mortgage insurers, and industry trade associations.

Alternative valuation methods, such as appraisal waivers, benefit borrowers by reducing cycle times, easing appraiser capacity constraints during periods of high loan volume and, in many cases, lowering consumer costs. In March 2023, Fannie Mae introduced Value Acceptance + Property Data, an appraisal waiver accompanied by standardized property data collected by a trained third-party workforce.[23] In August 2023, Freddie Mac expanded its existing Automated Collateral Evaluation + Property Data Report (ACE+PDR) offering to include eligible purchase transactions.[24]

To further standardize property data and improve the lender and consumer experience, the

[22] https://www.fhfa.gov/sites/default/files/2023-04/2023-Scorecard.pdf
[23] https://singlefamily.fanniemae.com/media/33551/display
[24] https://guide.freddiemac.com/app/guide/bulletin/2023-16

Enterprises announced the joint Uniform Property Dataset (UPD) in July 2023.[25] This dataset contains all required, conditionally required, and optional data elements related to Enterprise-eligible property data collection. The Enterprises required compliance with the UPD as of April 2024.

In August 2023, the Enterprises jointly released updates to the Appraiser Independence Requirements (AIR) and introduced Property Data Collector Independence Requirements (PDCIR) for loans sold to the Enterprises.[26] Most notably, the AIR updates defined restricted parties and clarified that these parties are not permitted to order appraisals or be involved in the collateral valuation process. The new PDCIR sets forth standards that safeguard the independence, objectivity, and impartiality of property data collectors.

In November 2023, Freddie Mac adopted the American National Standards Institute® (ANSI® Z765-2021) standard for measuring, calculating, and reporting gross living area and non-gross living area on single-family properties.[27] Fannie Mae had adopted ANSI previously, in December 2021, with compliance required by April 2022.[28] This alignment of the Enterprises' policies will facilitate and promote consistency of property data collected through UPD in alternative valuation products. The alignment also will encourage the adoption of ANSI across the valuation industry.

The Enterprises' Appraisal Diversity Initiative (ADI), a nationwide program to attract new and diverse entrants into the appraisal field, made significant progress in 2023. ADI engaged with over 600 aspiring appraisers working through the National Urban League's affiliate Entrepreneurship Centers, hosting 11 workshops, university outreach, and industry engagements. ADI sponsors are key to the program's success, and in 2023, ADI secured 12 new sponsors, exceeding the annual goal of five. This brings the total number of ADI sponsors to 34.

The Enterprises are also continuing a multiyear project, started in 2018, to improve appraisal data quality and consistency by updating the Uniform Appraisal Dataset (UAD) and aligning it with current mortgage industry data standards. The project entails replacing all existing appraisal forms with a single dynamic Uniform Residential Appraisal Report (URAR) that reflects current appraisal data needs and provides the flexibility to adapt to future needs. The UAD and forms redesign project incorporate extensive feedback from, and reflect collaboration with, appraisers, lenders, vendors, consumer advocates, and other industry stakeholders.

To advance this project, the Enterprises in 2023 focused on stakeholder outreach and feedback to inform the update and expansion of published materials and to support industry development efforts. With publications in June, September, and December 2023,[29] the Enterprises provided additional resources as part of their joint education and communication strategy, and updated and re-published an expanded body of documentation to ensure alignment between individual resources and provide further clarifications. The Enterprises continue development of both instructor-led and online training for appraisers, as well as online training for non-appraisers, focusing on the use and review of the updated URAR.

The UAD update and forms redesign effort remain a priority on the 2024 Scorecard; a more detailed initiative timeline was published in January 2024.[30] While the overall timeline did not change, additional milestones were added to aid development, testing, and training all leading to Limited Production[31] beginning in Q3 2025.The Enterprises will continue to seek stakeholder feedback to address any development challenges and complete training materials required to support mortgage industry implementation efforts.

FHFA remains committed to addressing appraisal bias and enhancing valuation equity. FHFA is an

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25 https://sf.freddiemac.com/docs/pdf/upd-joint-announcement.pdf

26 https://singlefamily.fanniemae.com/media/36516/display and https://guide.freddiemac.com/app/servicing/bulletin/2023-16

27 https://guide.freddiemac.com/app/guide/bulletin/2023-15

28 https://singlefamily.fanniemae.com/media/30266/display

29 See https://sf.freddiemac.com/docs/pdf/uad_joint_announcement_june_2023.pdf at https://sf.freddiemac.com/docs/pdf/uad_joint_announcement_sept_2023_final.pdf, and https://sf.freddiemac.com/docs/pdf/uad_joint_announcement_dec_2023.pdf.

30 https://sf.freddiemac.com/docs/pdf/fact-sheet/uad-redesign-timeline.pdf

31 Limited Production uses the redesigned URAR and updated Uniform Collateral Data Portal (UCDP) in a fully functional production environment with a limited set of participants who are determined ready and approved to participate.

active participant in the Property Appraisal and Valuation Equity (PAVE) Interagency Task Force. In June 2023, FHFA and HUD established a working group to develop more consistent reconsideration of value (ROV) standards. An ROV is a request to the appraiser to re-assess the appraised value of a property due to potential appraisal reporting deficiencies, or based upon additional information the appraiser should consider. The ROV policies were issued in May 2024, with compliance required by August 29, 2024.

In August 2023, FHFA published a blog post analyzing valuation disparities in appraisals based on UAD Aggregate Statistics.[32] The UAD Aggregate Statistics data show a reduced appraisal gap in the period following the release of the PAVE action plan. While more analysis is needed to determine whether this is a causal relationship, the results represent an encouraging trend as public and private stakeholders continue efforts to eliminate appraisal bias.

In October 2023, FHFA published the new UAD Appraisal-Level Public Use File (PUF) to supplement the Agency's existing data and analysis on valuations in states and metropolitan areas across the country.[33] The PUF gives both stakeholders and the public new access to a broad set of data points and trends found in appraisal reports. It contains appraisal-level data from a nationally representative 5 percent sample of appraisals conducted between 2013 and 2021 and associated with mortgages acquired by the Enterprises. The dataset can be used to, among other things, study housing valuation, housing market disparities and inequities, and consumer preferences. The PUF provides the first-ever public access to appraisal-level records from the Enterprises and is the first available public dataset with borrower race and ethnicity matched to appraisal records. FHFA took significant steps to protect borrower privacy in developing the dataset.

In December 2023, FHFA issued orders[34] to the Enterprises to provide for long-term, regular appraisal data reporting to support FHFA's public appraisal data initiatives and FHFA supervisory oversight.

FHFA worked with the OCC, FRB, FDIC, NCUA, and CFPB to issue the proposed rule on Quality Control Standards for Automated Valuation Models (AVMs) in June 2023.[35] The proposed rule would implement the quality control standards mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) for the use of AVMs by mortgage originators and secondary market issuers in determining the collateral worth of a mortgage secured by a consumer's principal dwelling. The agencies are considering comments while working to finalize this rule.

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[32] See "Have Racial and Ethnic Valuation Gaps in Home Purchase Narrowed?" at https://www.fhfa.gov/Media/Blog/Pages/Have-Racial-and-Ethnic-Valuation-Gaps-in-Home-Purchase-Narrowed.aspx.

[33] See "FHFA Publishes New Uniform Appraisal Dataset Appraisal-Level Public Use File" at https://www.fhfa.gov/Media/PublicAffairs/Pages/FHFA-Publishes-New-Uniform-Appraisal-Dataset-Appraisal-Level-Public-Use-File.aspx.

[34] See, https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Documents/Orders/Order-Enterprise-Appraisal-Data-Reporting-12-13-2023-FNMA.pdf and https://www.fhfa.gov/SupervisionRegulation/LegalDocuments/Documents/Orders/Order-Enterprise-Appraisal-Data-Reporting-12-13-2023-FRE.pdf

[35] https://www.fhfa.gov/SupervisionRegulation/Rules/RuleDocuments/Federal%20Register%20Notice%20AVM_Final%20Web%20Version.pdf

Financial Status of the ASC

In fiscal year 2023, the ASC's revenue totaled approximately $11.8 million, and expenses (including the State grants) totaled approximately $5.8 million. ASC funds are derived from the Appraiser and AMC Registry fees. The annual Appraiser Registry fee of $40 is paid by licensed and certified appraisers to be listed on the Appraiser Registry as eligible to perform appraisals for federally related transactions. Appraiser Registry fees totaled $2.9 million in FY 2023. Annual AMC Registry fees are paid by AMCs consistent with the ASC rule on collection and transmission of AMC Registry fees.[36] The fee is based on the number of appraisers who performed an appraisal for a covered transaction during a defined annual period. AMC fees totaled $8.9 million in FY 2023.

Appendix A contains the ASC audited financial statements for fiscal year 2023, ending September 30, 2023. The ASC realized a net gain of approximately $6 million and has reserves of $27.8 million. During FY21, the ASC restructured its grants program and again committed approximately $4.9 million for FY23 grants. The external auditors found no material weakness involving the ASC's internal control structure and operation, or any material instances of noncompliance with selected provisions of applicable laws and regulations tested.

The ASC continued to provide careful stewardship of the funds entrusted to it as the following charts demonstrate. The bar graph reflects expenditures versus budgeted amounts for the most recent five-year period. This data reflects the ASC's continuing efforts to operate in an efficient and effective manner as shown by the fact that expenditures consistently were held below budgeted amounts.

[36] 12 CFR 1102.400 - 1102.403.

APPENDICES

APPRAISAL SUBCOMMITTEE

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

APPRAISAL SUBCOMMITTEE

Financial Statements

September 30, 2023 and 2022

CONTENTS

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Appraisal Subcommittee of the Federal Financial Institutions Examination Council
Washington, DC 20005

In our audit of the fiscal year 2023 financial statements of the Appraisal Subcommittee (ASC), we found:

- ASC's financial statements as of and for the fiscal year ended September 30, 2023 are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2023.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information included with the financial statements[2]; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited ASC's financial statements. ASC's financial statements comprise the balance sheet as of September 30, 2023; the related statement of net cost, change in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements In our opinion, ASC's financial statements present fairly, in all material respects, ASC's financial position as of September 30, 2023, and its net cost of operations, in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ASC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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[1] The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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Other Matter

The financial statements of ASC for the period as of September 30, 2023 were audited by a predecessor auditor whose report dated May 23, 2023 expressed an unmodified opinion on those statements.

Responsibility of Management for the Financial Statements

ASC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in ASC's Annual Report and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on, the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

ASC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in ASC's Annual Report. The other information comprises introductory and other information as applicable but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of ASC**'s** financial statements, we considered ASC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies [3]or to express an opinion on the effectiveness of ASC**'s** internal control over financial reporting. Given these limitations, during our 2023 audit, we did not identify any deficiencies in internal control over

[3] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2023 audit, we identified deficiencies in ASC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant ASC's management's attention. We have communicated these matters to ASC management and, where appropriate, will report on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to ASC**'s** internal control over financial reporting in accordance with government auditing standards and Office of Management and Budget guidance.

Responsibilities of Management for Internal Control over Financial Reporting

ASC's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of ASC's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered ASC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASC's internal control over financial reporting. Accordingly, we do not express an opinion on ASC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of ASC**'s** internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of ASC**'s** internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of ASC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to ASC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

ASC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to ASC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to ASC that have a direct effect on the determination of material amounts and disclosures in ASC**'s** financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to ASC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Greenbelt, Maryland
May 10, 2024

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Management's Discussion and Analysis

Analysis of Systems, Control, and Legal Compliance

The Appraisal Subcommittee's (ASC) management is responsible for establishing and maintaining adequate internal controls and financial management systems that meet the Federal Manager's Financial Integrity Act (FMFIA) objectives. The ASC conducted its assessment in compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control.

In October 2022, the ASC migrated to the SAGE Intaact Enterprise Resource Planning System where all ASC financial transactions are recorded and reported. The ASC financial operations are also supported by the Pegasys Financial Services under the General Services Administration External Services Branch. In FY2024, the ASC plans to utilize its accounting system more efficiently via data import conversion.

ASC History

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI). Title XI's purpose is to "provide that Federal financial and public policy interests in real estate 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 general, the ASC oversees the real estate appraisal process as it relates to federally related transactions, as defined in Section 1121(4) of Title XI (1). The ASC is an FFIEC subcommittee. The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The FFIEC is an interagency body empowered to set uniform principles for the examination of federally regulated financial institutions.

Title XI requires the ASC to:

- monitor the requirements established by States:
    - for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
    - for the registration and supervision of the operations and activities of appraisal management companies (AMCs)
- monitor the requirements established by the Federal financial institutions' regulatory agencies with respect to:
    - appraisal standards for federally related transactions under their jurisdiction; and
    - determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser.
- maintain a national registry of State certified and licensed appraisers (Appraiser Registry) who are eligible to perform appraisals in federally related transactions.

- maintain a National Registry of AMCs (AMC Registry) that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

- monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation (Foundation).

- transmit an annual report to Congress not later than June 15 of each year that describes the way each function assigned to the ASC has been carried out during the preceding year.

Title XI also requires the ASC to:

- make grants in such amounts as it deems appropriate to the Foundation to help defray costs relating to the activities of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB)

- make grants to State appraiser certifying and licensing agencies in accordance with policies developed by the ASC to support the efforts of such agencies to comply with Title XI, including—
  - the complaint process, complaint investigations, and appraiser enforcement activities of such agencies
  - the submission of data on State licensed and certified appraisers and AMCs to the Appraiser Registry and the AMC Registry, including information affirming that appraisers or AMCs meet required qualification criteria, and information on formal and informal disciplinary actions.
  - reporting to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked or suspended.

The ASC has seven members, each designated respectively by the head of their agency, including the Board of Governors of the Federal Reserve System (Federal Reserve), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Federal Housing Finance Agency (FHFA), and U.S. Department of Housing and Urban Development (HUD). Title XI also requires the FFIEC to appoint a chairperson from the member representatives to serve a two-year term.

The Appraisal Subcommittee's Mission Statement:

The mission of the Appraisal Subcommittee (ASC) is to provide federal oversight of State appraiser and appraisal management company (AMC) regulatory programs and a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies in their roles to protect federal financial and public policy interests in real estate appraisals utilized in federally related transactions.

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

Strategic 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 is using 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.

The ASC is increasing efficiency and strengthening internal control processes in financial and budget management through improved technology and operations by:

1. Converting all State regulatory agencies to the Automated Clearing House system (ACH) for collection of registry fee payments to increase efficiency, reduce costs and enhancing the ASC's security.
2. Maintaining a one-year operating reserve to provide financial stability and flexibility to cover any unexpected revenue shortfalls or unexpected expenses.
3. 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 manage resources.
4. Implementing a cloud-based ERP system that more efficiently manages resources, improves financial reporting, and improves budget management.

Additionally, the ASC is implementing additional technology and processes to improve technical assistance and collaboration with stakeholders by:

1. Transitioning all 55 jurisdictions to use Application Programming Interfaces (API) for ASC's National Registries to interface data from State regulatory agencies and the ASC's software applications.
2. Implement Compliance Review software supporting the States' regulatory agencies throughout the entire Compliance Review lifecycle.
3. Maintaining National Registries security and their continued operations to provide reliable and efficient access to appraiser and AMC credentialing information.

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

Title XI has charged the ASC with the important responsibilities of oversight and support of the State regulatory agencies and the Appraisal Foundation. The ASC continues to promote and expand its grant program to the States and the Appraisal Foundation in ways that support those entities benefits key stakeholders.

The ASC seeks to achieve this goal by supporting State regulatory agencies to improve overall appraiser regulation and compliance with Title XI by:

1. Promoting grants and other opportunities to States to allow States to better understand and effectively enforce Title XI requirements.
2. Conducting training for State regulatory staff to provide targeted technical assistance and education on emerging trends and issues within the appraisal regulatory system.
3. Developing and enhancing available training for State agencies as preparation for their Compliance Reviews.

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

The ASC values a diverse and inclusive work environment, fostering an environment where everyone can thrive and succeed, allowing staff career advancement, succession planning, and improving skills by:

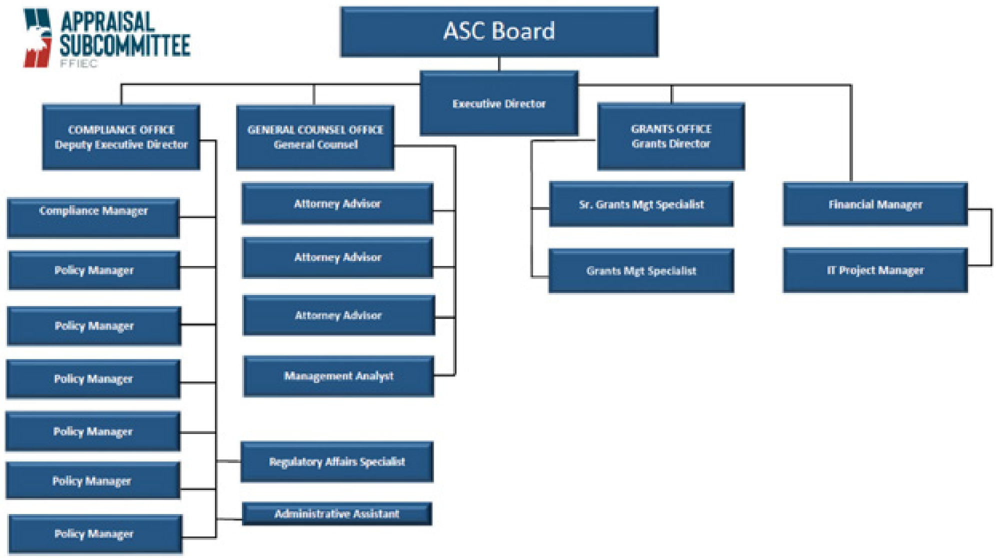
1. Employing a staffing model that includes the positions needed to effectively manage agency operational needs, including senior staff as well as entry- and mid-level positions.

2. Leveraging Federal Employee Viewpoint Survey (FEVS) results and conducting brainstorming workshops with employees and Board members to make improvements to the overall organizational structure.
3. Establish and assess progress against internal diversity, equity, inclusion, and accessibility (DEIA) goals.

Economic Conditions

ASC revenue is generated by fees collected from 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 which will impact ASC revenue.

Appraisal Subcommittee Organizational Chart



Financial Information

Limitations to the Financial Statements

The financial statements have been prepared to report the financial position, financial condition, and results of operations, consistent with the requirements of the 31 U.S.C. § 3515(b). The statements are prepared from records of the ASC in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Principal Financial Statements

The Principal Financial Statements (Statements) have been prepared to report the financial position and results of operations of the ASC. ASC's management is responsible for the selecting the accounting principles necessary for fair presentation of ASC's financial statements, which includes ensuring compliance with the GAAP hierarchy fair presentation of information contained in the principal financial statements. The Statements have been prepared from the books and records of the ASC in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, Financial Reporting Requirements, revised.

The Balance Sheets provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Intra-departmental balances have been eliminated from the amounts presented.

The Statement of Net Cost reports the components of the net costs of the ASC's operations for the period. The net cost of operations consists of the gross cost incurred by the ASC less any exchange (i.e., earned) revenue from our activities. Intra-departmental balances have been eliminated from the amounts presented.

The Statements of Changes in Net Position reports the beginning net position, the transactions that affect net position for the period, and the ending net position. Intra-departmental transactions have been eliminated from the amounts presented.

The Statements of Budgetary Resources provides information on how budgetary resources were made available and their status at the end of the year. Information in this statement is reported on the budgetary basis of accounting. Intra-departmental transactions have not been eliminated from the amounts presented.

Required Supplementary Information includes Management's Discussion and Analysis.

Notes to the Financial Statements describe significant accounting policies as well as detailed information on select statement lines.

APPRAISAL SUBCOMMITTEE

Balance Sheets
As of September 30, 2023 and 2022

Assets

	2023	2022
Assets:		
Intragovernmental Assets:		
Fund Balance With Treasury		
Unrestricted Fund Balance with Treasury	$ 25,587,509	$ 21,380,625
Restricted Fund Balance with Treasury	4,521,800	3,908,798
Total Intragovernmental Assets	30,109,309	25,289,423
Accounts Receivable	2,342,841	1,800,604
Property, Plant and Equipment, net	1,411,837	1,319,006
Total Assets	33,863,987	28,409,033

Liabilities and Net Position

	2023	2022
Liabilities:		
Intragovernmental Liabilities:		
Unearned revenues	1,424,898	1,578,951
Restricted funds held for others	4,254,918	3,908,798
Total Intragovernmental Liabilities:	5,679,816	5,487,749
Accounts payable	73,382	351,054
Grants payable	2,879	496,987
Accrued funded payroll and leave	55,875	56,627
Unfunded leave	264,123	266,730
Total Liabilities	6,076,075	6,659,147
Net Position:		
Unexpended Appropriations - All Other	-	-
Cumulative Results of Operations - All	27,787,912	21,749,886
Total Net Position	27,787,912	21,749,886
Total Liabilities and Net Position	$ 33,863,987	$ 28,409,033

The accompanying notes are an integral part of the Financial Statements.

APPRAISAL SUBCOMMITTEE

Statements of Net Cost
For The Years Ended September 30, 2023 and 2022

	2023	2022
Program Costs:		
Public costs	$ 5,695,555	$ 5,634,478
Less: Earned Revenue	(11,733,580)	(11,480,322)
Net Program Costs	**$ (6,038,025)**	**$ (5,845,844)**

The accompanying notes are an integral part of the Financial Statements.

APPRAISAL SUBCOMMITTEE

Statements of Changes in Net Position
For The Years Ended September 30, 2023 and 2022

	2023	2022
Cumulative Results of Operations:		
Beginning Balance	$ 21,749,886	$ 15,904,042
Beginning Balance, As Adjusted	21,749,886	15,904,042
Budgetary Financing Sources:		
Appropriations used	-	-
Other Financing Sources:		
Imputed financing	-	-
Total Financing Sources	-	-
Net Cost of Operations (+/-)	6,038,025	5,845,844
Net Change	6,038,025	5,845,844
Cumulative Results of Operations	$ 27,787,911	$ 21,749,886
Unexpended Appropriations:		
Beginning Balance	$ -	$ -
Beginning Balance, As Adjusted	-	-
Budgetary Financing Sources:		
Appropriations received	10,279,230	11,830,505
Other adjustments	-	-
Appropriations used	(10,279,230)	(11,830,505)
Total Budgetary Financing Sources	-	-
Total Unexpended Appropriations	-	-
Net Position	$ -	$ -

The accompanying notes are an integral part of the Financial Statements.

APPRAISAL SUBCOMMITTEE

Statements of Budgetary Resources
For The Years Ended September 30, 2023 and 2022

	2023 Budgetary	2022 Budgetary
Budgetary Resources:		
Unobligated balance brought forward, October 1	$ 18,326,441	$ 12,362,702
Unobligated balance brought forward, October 1, as adjusted	18,326,441	12,362,702
Recoveries from prior year unpaid obligations	132,749	52,106
Recoveries from prior year paid obligations	2,551	240
Other changes in unobligated balance	-	-
Unobligated balance from prior year budget authority, net	18,461,741	12,415,048
Appropriations (Discretionary and Mandatory)	10,279,230	11,830,505
Total Budgetary Resources	$ 28,740,971	$ 24,245,553
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	$ 6,303,128	$ 5,919,112
Unobligated balance, end of year		
Apportioned, unexpired accounts	-	-
Unapportioned, unexpired accounts	22,437,843	18,326,441
Unexpired unobligated balance, end of year	22,437,843	18,326,441
Expired unobligated balance, end of year	-	-
Unobligated balance, end of year	22,437,843	18,326,441
Total Status of Budgetary Resources	$ 28,740,971	$ 24,245,553
Change in Obligated Balance:		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$ 549,217	$ 524,964
New obligations and upward adjustments	6,303,128	5,919,112
Outlays (gross) (-)	(6,072,483)	(5,842,753)
Recoveries of prior year unpaid obligations	(132,749)	(52,106)
Unpaid obligations, end of year	647,113	549,217
Uncollected payments:		
Uncollected payments, Fed sources, brought forward, October 1 (-)	-	-
Change in uncollected payments, Fed sources (+/-)	-	-
Uncollected payments, Fed sources, end of year (-)	-	-
Memorandum (non-add) entries		
Obligated balance, start of year (+/-)	549,217	524,964
Obligated balance, end of year (+/-)	$ 647,113	$ 549,217
Budget Authority and Outlays, Net:		
Budget authority, gross (discretionary and mandatory)	$ 10,279,230	$ 11,830,505
Actual offsetting collections (discretionary and mandatory)	(2,552)	-
Recoveries of prior year paid obligations (discretionary and mandatory)	2,552	-
Budget authority, net (total) (discretionary and mandatory)	10,279,230	11,830,505
Outlays (gross) (discretionary and mandatory)	(6,072,483)	(5,842,513)
Actual offsetting collections (discretionary and mandatory)	2,552	-
Outlays, net (total) (discretionary and mandatory)	(6,069,931)	(5,842,513)
Agency Outlays, net (discretionary and mandatory)	$ (6,069,931)	$ (5,842,513)

The accompanying notes are an integral part of the Financial Statements.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Note 1 ***Summary of Significant Accounting Policies***

<u>*Organization*</u>

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (the "Appraisal Subcommittee" or "ASC") was created by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") of 1989. The mission of the Appraisal Subcommittee is to monitor the certification and licensing programs of the States to determine compliance with Title XI of FIRREA. The purpose of this title is to ensure that the 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 accordance with Title XI of FIRREA, an appraiser must be registered to perform appraisals connected to federal transactions. Effective January 1, 2012, ASC raised the annual fee assessed to the States from $25 per registered appraiser to $40.

The federal financial institutions regulatory agencies include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau ("CFPB"), the Office of the Comptroller of the Currency, and the National Credit Union Administration. The member agencies of the Appraisal Subcommittee include the federal financial institutions regulatory agencies, the Department of Housing and Urban Development, and the Federal Housing Finance Agency ("FHFA"). The CFPB and FHFA were added as members to the ASC as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act").

Effective November 24, 2017, the ASC adopted a final rule to implement collection and transmission of appraisal management company ("AMC") annual registry fees under the Dodd-Frank Act. The first full year of collection of AMC fees began on October 1, 2018. The ASC adopted Section 1102.402. Section 1102.402 establishes the annual AMC registry fee for States that elect to register and supervise AMCs as follows:

> In the case of an AMC that has been in existence for more than a year, $25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such date during the previous year. If an AMC has not been in existence for more than a year, $25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State since the AMC commenced doing business.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Basis of Accounting and Presentation

These financial statements have been prepared from the accounting records of ASC in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), and the form and content for entity financial statements specified by the Office of Management and Budget ("OMB") in OMB Circular No. A-136, as amended. GAAP for federal entities are standards prescribed by the Federal Accounting Standards Advisory Board ("FASAB"), which has been designated the official accounting standards-setting body for the Federal Government by the American Institute of Certified Public Accountants. The accompanying financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the ASC as required by the Accountability of Tax Dollars Act of 2002.

OMB Circular No. A-136 requires agencies to prepare financial statements, which include Balance Sheets, Statements of Net Cost, Statement of Changes in Net Position, and Statements of Budgetary Resources. The Balance Sheets present, as of September 30, 2023 and 2022, amounts of future economic benefits owned or managed by ASC (assets), amounts owed by ASC (liabilities), and amounts, which comprise the difference (net position). The Statements of Net Cost report the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within ASC and other reporting entities. The Statements of Budgetary Resources report on an agency's budgetary activity.

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Significant assumptions made in these financial statements include future collection of receivables and deferring revenue on the receipt of 25% of the incremental fee from $25 to $40.

Budgetary Basis of Accounting

The ASC'S programs and activities are funded through annual appropriations and appraisal fees. Congress annually adopts a budget appropriation that provides the ASC with authority to use funds from the U.S. Department of the Treasury (Treasury) to meet operating expense requirements. The ASC has single year budgetary authority and all unobligated amounts at year-end expire. At the end of the fifth year following the year of execution, all amounts not expended are canceled and returned to the Treasury. Additionally, all revenue received from other sources must be returned to the Treasury.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Budgetary accounting measures appropriation and consumption of budget/spending authority and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time an obligation is incurred. Only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

Fund Balance with U.S. Treasury

Fund Balance with the U.S. Treasury is the aggregate amount of the ASC's funds with Treasury in expenditure, receipt, and revolving fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The ASC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of the Treasury. Treasury disburses funds for the agency upon request.

Restricted Fund Balance with U.S. Treasury

Restricted fund balance with the U.S. Treasury are amounts restricted by law that the Appraisal Subcommittee received in conjunction with the $15 fee increase, as permitted by the Dodd-Frank Act. As part of the fee increase that was effective January 1, 2012, Congress specifically required the ASC to set aside 25% of the increase without specifications as to how it could be used. Accordingly, these funds have been classified as a liability on the balance sheets.

Accounts Receivable

Accounts receivable consist of amounts due to the Appraisal Subcommittee for Appraisal Management Company (AMC) and National Registry (NR) fees. As of September 30, 2023 and 2022, management is of the opinion that an allowance for doubtful accounts is not necessary.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to ten years. The capitalization threshold is $5,000 for assets with a useful life of three or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least three years and have an aggregate value of $15,000 or more.

Annual and Sick Leave Program

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits cost. An unfunded liability is recognized as earned but unused annual leave since, from a budgetary standpoint, this annual leave will be paid from future funding sources when the leave is used by employees. The amount accrued is based upon the current pay rates of the employees. Sick leave is expensed when used and no liability is recognized as employees have no right to be paid for unused sick leave.

Unearned Revenues

Registry fees received in advance are deferred and recognized as earned during the applicable fee year.

Tax Status

The Appraisal Subcommittee is a federal governmental agency and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Note 2 ***Fund Balance with Treasury***

	2023	2022
Status of Fund Balance with Treasury		
Unobligated Balance - Unrestricted		
(a) Available	$25,587,509	$21,380,625
(b) Unavailable	-	-
Unobligated Balance - Restricted		
(a) Available	4,521,800	3,908,798
(b) Unavailable	-	-
Obligated Balance not yet Disbursed	647,113	549,217
Non-Budgetary FBWT	-	-
Total	$30,756,422	$25,838,640

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Note 3 ***Accounts Receivable***

	2023	2022
Fees		
Appraisal Management Company Registry (AMC)	$1,365,525	$1,200,468
National Registry (NR)	977,316	600,136
Total	$2,342,841	$1,800,604

Note 4 ***Property and Equipment, Net***

Property and equipment, net at September 30, consist of the following:

	2023	2022
Property and equipment not depreciated:		
Work in Progress	$ 617,031	$1,297,483
Property and equipment depreciated:		
Computer equipment	1,541,621	531,692
Total property and equipment	2,158,652	1,829,175
Less: Accumulated Depreciation	746,814	510,169
Net Property and Equipment	$1,411,837	$1,319,006

Note 5 ***Liabilities Not Covered by Budgetary Resources***

The ASC does not have any liabilities that are not covered by budgetary resources.

Note 6 ***Appraisal Foundation Grant***

Title XI of FIRREA provides that amounts appropriated for, or collected by, the Appraisal Subcommittee be used to make grants to The Appraisal Foundation (the "Foundation") to help defray costs of the Foundation relating to the activities of its Appraisal Standards Board (“ASB”), Appraiser Qualifications Board (“AQB”), and State Investigator Training Grants. Since the inception of the Appraisal Subcommittee on August 9, 1989, it has made grants to the Foundation under which approximately $22,451,000 was expended through September 30, 2023. In October 2020, the ASC published a Notice of Funding Availability (NOFA) for a 3-year Competitive Federal Cooperative Agreement for Training and Technical Assistance for State Appraiser and AMC Regulatory Agencies in the amount of $1,050,000, providing up to $350,000

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

annually. The project period for this award was October 1, 2020 through September 30, 2023. The Appraisal Foundation did not respond to the NOFA during the period of funding availability and it expired on 9/30/2023.

Note 7 ***Retirement and Benefit Plans***

The Appraisal Subcommittee contributes to the Civil Service Retirement System and the Federal Employees' Retirement System administered by the Office of Personnel Management for the benefit of U.S. Government employees. The retirement plans are participatory. Under the Civil Service Retirement System, the employer and employee each contribute amounts ranging from 7-8 percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and 1 percent of salary is contributed by the employee.

The Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees Retirement System. Contributions by the Appraisal Subcommittee during fiscal years 2023 and 2022 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately $474,000 and $398,000, respectively.

Although the Appraisal Subcommittee contributes a portion of pension benefits for its employees participating in the retirement plans and withholds the necessary payroll deductions from them, it has no liability for future payments to employees under those programs and is not accountable for the assets of the Civil Service and Federal Employees' Retirement Systems, nor does the Appraisal Subcommittee have actuarial data concerning the accumulated plan benefits or the unfunded pension liability relating to its employees. These amounts are reported by the Office of Personnel Management for the retirement systems and are not allocated to individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired federal employees.

Note 8 ***Interagency Transactions***

In conducting its administrative operations, the Appraisal Subcommittee uses the services of various other federal agencies. The largest of the administrative service arrangements is with the U.S. General Services Administration for certain accounting and reporting functions, and processing of payroll and related benefits. Operating expenses of the Appraisal Subcommittee for fiscal years ended 2023 and 2022 include approximately $150,000 and $131,000, respectively, for these services.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Note 9 ***Reconciliation of Net Cost of Operations to Budget***

	2023	2022
Net Cost	$5,695,555	$5,569,478
Components of Net Cost that are not part of Net Outlays:		
Property and equipment depreciation	(236,645)	(12,216)
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	(493,593)	377,403
(Increase) / Decrease in Liabilities		
Accounts payable	277,672	(112,306)
Grants payable	494,109	(496,987)
Salaries and benefits	3,359	86,412
Components of Net Outlays that are not part of Net Cost:		
Acquisition of capital assets	329,475	430,729
Net Outlays - Budgetary	$6,069,931	$5,842,513

A reconciliation of net cost of operations to budget is presented above to show the relationship between accrual-based (financial accounting) information in the statement of net cost and obligation-based (budgetary accounting) information in the statement of budgetary resources. This reconciliation ensures that the proprietary and budgetary accounts in the financial management system are in balance. For FY 2023 and 2022, the ASC reconciled the difference between the $6.0 million and $5.8 million in obligated resources and the $5.7 million and $5.6 million in the net cost of operations, respectively, by adjusting for offsetting collections, adjustments, recoveries, financing resources not part of the net cost of operations, and depreciation.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements
September 30, 2023 and 2022

Note 10 ***Undelivered Orders at September 30***

At September 30, 2023 and 2022, budgetary resources obligated for undelivered orders were as follows:

	2023		
	Federal	NonFederal	Total
Unpaid Undelivered Orders	$ 50,893	$ 266,307	$ 317,200
Paid Undelivered Orders	4,799	-	4,799
Total Undelivered Orders	$ 55,692	$ 266,307	$ 321,999

	2022		
	Federal	NonFederal	Total
Unpaid Undelivered Orders	$ 72,916	$ 77,725	$ 150,641
Paid Undelivered Orders	4,799	-	4,799
Total Undelivered Orders	$ 77,715	$ 77,725	$ 155,440

Note 11 ***Management's Acceptance of Financial Statements***

Subsequent Events

Management has evaluated subsequent events through May 10, 2024, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to September 30, 2023, requiring disclosure in the financial statements.

2019-2020 AND 2023 APPRAISER PROGRAM COMPLIANCE REVIEW FINDINGS			
AREAS OF NON-COMPLIANCE	**2019**	**2020**	**2023**
Requirement/ Guidance Areas	27 States Reviewed	12 States Reviewed	19 States Reviewed
Statutes, Regulations, Policies and Procedures:	5	3	1
Temporary Practice:	5	1	6
National Registry:	0	2	4
Application Process:	7	2	4
Reciprocity:	0	0	0
Education:	1	0	1
Enforcement:	0	1	4

The table above documents 2019-2020 and 2023 Compliance Review Findings by requirement and areas of guidance

STATE COMPLIANCE STATUS	**2019**	**2020**	**2023**
Requirement/ Guidance Areas	27 States Reviewed	12 States Reviewed	19 States Reviewed
Excellent	11	2	7
Good	12	6	12
Needs Improvement	4	3	0
Not Satisfactory	0	1	0
Poor	0	0	0

The table above documents 2019-2020 and 2023 Compliance Review Findings by requirement and areas of guidance

2023 APPRAISER PROGRAM COMPLIANCE REVIEW SUMMARY			
STATE APPRAISER PROGRAM	**MONTH OF REVIEW**	**ASC FINDING**	**REVIEW CYCLE**
Arizona	January 2023	Excellent	Two-Year
New Jersey	January 2023	Excellent	Two-Year
Florida	February 2023	Excellent	Two-Year
Minnesota	February 2023	Excellent	Two-Year
Nebraska	March 2023	Excellent	Two-Year
District of Columbia	March 2023	Good	Two-Year
Tennessee	April 2023	Good	Two-Year
Connecticut	April 2023	Good	Two-Year
North Dakota	May 2023	Good	Two-Year
Massachusetts	May 2023	Good	Two-Year
Oregon	June 2023	Good	Two-Year
Washington	August 2023	Good	Two-Year
South Carolina	August 2023	Good	Two-Year
Pennsylvania	August 2023	Good	Two-Year
Delaware	September 2023	Good	Two-Year
Colorado	September 2023	Excellent	Two-Year
Illinois	October 2023	Good	Two-Year
North Carolina	October 2023	Excellent	Two-Year
California	November 2023	Good	Two-Year

2023 AMC PROGRAM COMPLIANCE REVIEW SUMMARY			
STATE APPRAISER PROGRAM	MONTH OF REVIEW	ASC FINDING	REVIEW CYCLE
Arizona	January 2023	Good	Two-Year
New Jersey	January 2023	Good	Two-Year
Florida	February 2023	Good	Two-Year
Minnesota	February 2023	Good	Two-Year
Nebraska	March 2023	Excellent	Two-Year
District of Columbia	March 2023	Good	Two-Year
Tennessee	April 2023	Good	Two-Year
Connecticut	April 2023	Good	Two-Year
North Dakota	May 2023	Good	Two-Year
Massachusetts	May 2023	Good	Two-Year
Oregon	June 2023	Good	Two-Year
Washington	August 2023	Good	Two-Year
South Carolina	August 2023	Good	Two-Year
Pennsylvania	August 2023	Good	Two-Year
Delaware	September 2023	Good	Two-Year
Colorado	September 2023	Excellent	Two-Year
Illinois	October 2023	Good	Two-Year
North Carolina	October 2023	Good	Two-Year
California	November 2023	Good	Two-Year

YEAR-END APPRAISER CREDENTIALS

YEAR END	CERTIFIED GENERAL	CERTIFIED RESIDENTIAL	LICENSED	TRANSITIONAL	TOTAL CREDENTIALS
1992	23,133	19,772	18,406	4,405	65,716
1993	30,348	26,163	27,316	8,882	92,709
1994	32,450	29,949	17,960	6,043	86,402
1995	32,305	32,733	19,375	2,244	86,657
1996	31,628	33,141	16,984	226	81,979
1997	32,519	32,161	17,371	318	82,369
1998	34,485	35,697	15,287	23	85,492
1999	34,082	34,237	18,676	24	87,019
2000	34,609	34,702	19,755	28	89,094
2001	33,246	34,401	19,837	23	87,507
2002	32,959	35,233	21,261	37	89,490
2003	33,394	37,418	21,575	47	92,434
2004	33,725	40,726	25,095	46	99,592
2005	34,074	43,327	28,185	52	105,638
2006	34,812	46,701	29,921	51	111,485
2007	36,881	54,177	30,286	63	121,407
2008	37,851	56,704	25,931	65	120,551
2009	38,061	57,253	21,434	43	116,791

YEAR-END APPRAISER CREDENTIALS					
YEAR END	CERTIFIED GENERAL	CERTIFIED RESIDENTIAL	LICENSED	TRANSITIONAL	TOTAL CREDENTIALS
2010	37,807	55,522	16,674	23	110,026
2011	38,016	54,201	13,900	13	106,130
2012	37,834	52,504	11,875	12	102,225
2013	38,332	51,893	10,648	1	100,874
2014	38,777	51,240	9,507	0	99,524
2015	39,257	50,472	8,622	0	98,351
2016	39,246	49,631	7,926	0	96,803
2017	39,262	48,720	7,749	0	95,731
2018	39,135	47,908	7,481	0	94,524
2019	39,606	47,776	7,321	0	94,703
2020	39,070	47,073	7,061	0	93,204
2021	39,110	46,903	7,249	0	93,262
2022	39,730	47,131	7,438	0	94,299
2023	40,349	46,834	7,339	0	94,522

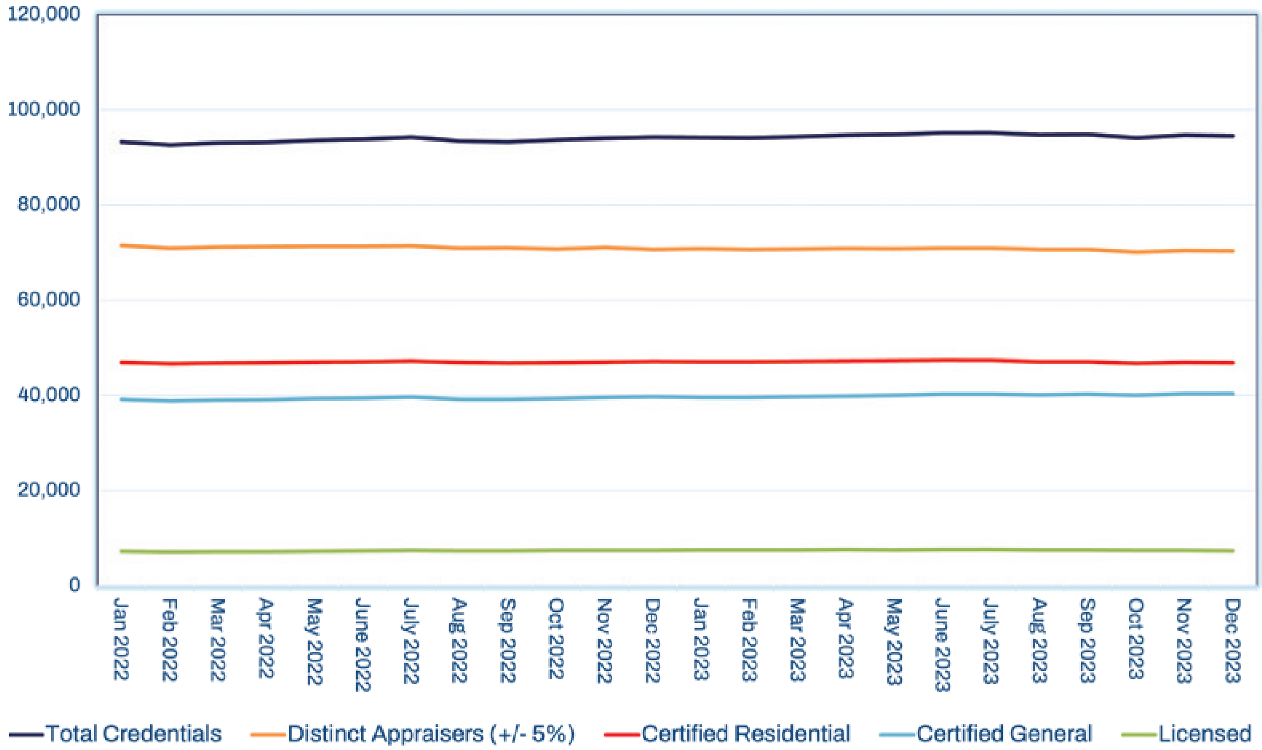
MONTHLY APPRAISER CREDENTIAL TRENDS *AS OF DECEMBER 31, 2023

DATE	CERTIFIED GENERAL	CERTIFIED RESIDENTIAL	LICENSED	TRANSITIONAL	TOTAL CREDENTIALS	DISTINCT APPRAISERS (+/- 5%)
Jan 2022	39,146	46,904	7,247	0	93,297	71,518
Feb 2022	38,788	46,648	7,153	0	92,589	70,969
Mar 2022	39,030	46,809	7,181	0	93,020	71,150
Apr 2022	39,122	46,870	7,211	0	93,203	71,228
May 2022	39,312	47,009	7,273	0	93,594	71,342
June 2022	39,395	47,077	7,324	0	93,796	71,317
July 2022	39,639	47,213	7,400	0	94,252	71,437
Aug 2022	39,173	46,915	7,360	0	93,448	70,919
Sep 2022	39,178	46,791	7,342	0	93,311	71,063
Oct 2022	39,370	46,892	7,389	0	93,651	70,749
Nov 2022	39,595	47,040	7,420	0	94,055	71,084
Dec 2022	39,730	47,131	7,438	0	94,299	70,679
Jan 2023	39,591	47,078	7,498	0	94,167	70,761
Feb 2023	39,576	47,058	7,482	0	94,116	70,634
Mar 2023	39,707	47,144	7,493	0	94,344	70,715
Apr 2023	39,890	47,262	7,538	0	94,690	70,836
May 2023	39,987	47,292	7,511	0	94,790	70,792
June 2023	40,263	47,406	7,529	0	95,198	70,946

MONTHLY APPRAISER CREDENTIAL TRENDS *AS OF DECEMBER 31, 2023

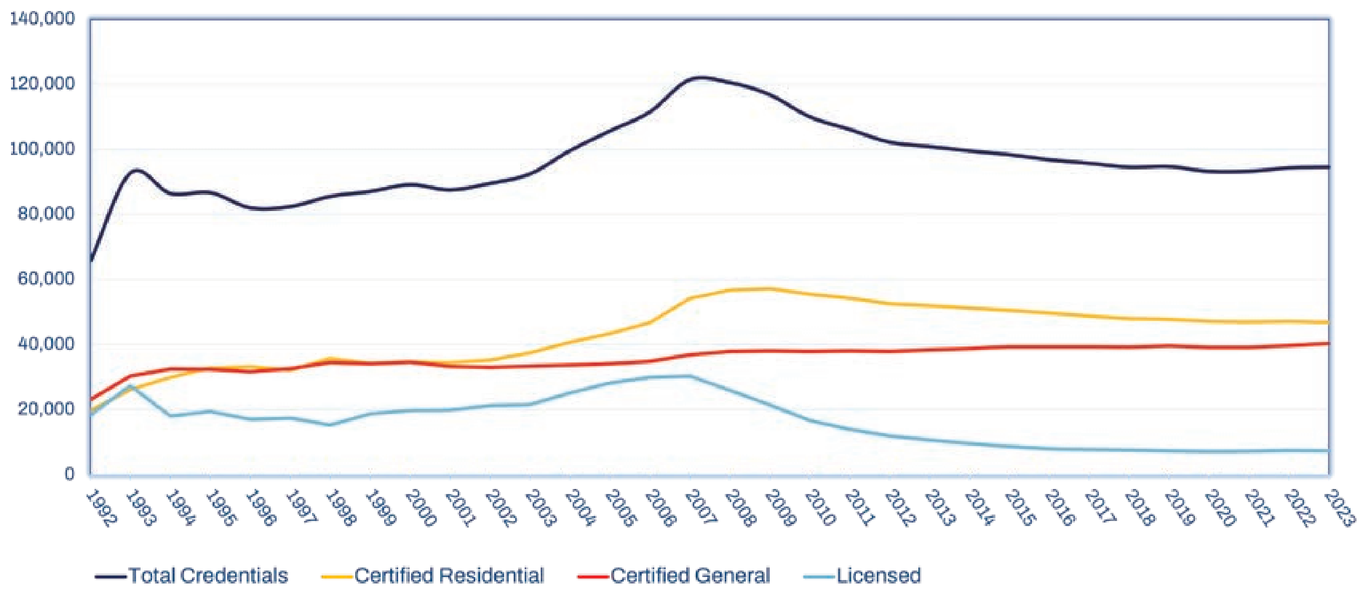
DATE	CERTIFIED GENERAL	CERTIFIED RESIDENTIAL	LICENSED	TRANSITIONAL	TOTAL CREDENTIALS	DISTINCT APPRAISERS (+/- 5%)
July 2023	40,285	47,392	7,541	0	95,218	70,958
Aug 2023	40,107	47,111	7,509	0	94,727	70,667
Sep 2023	40,225	47,096	7,457	0	94,778	70,667
Oct 2023	39,991	46,725	7,382	0	94,098	70,081
Nov 2023	40,332	46,907	7,427	0	94,666	70,376
Dec 2023	40,349	46,834	7,339	0	94,522	70,298

Monthly Appraiser Credential Trends



Yearly Appraisers Credential Trends

As of Dec 31, 2023

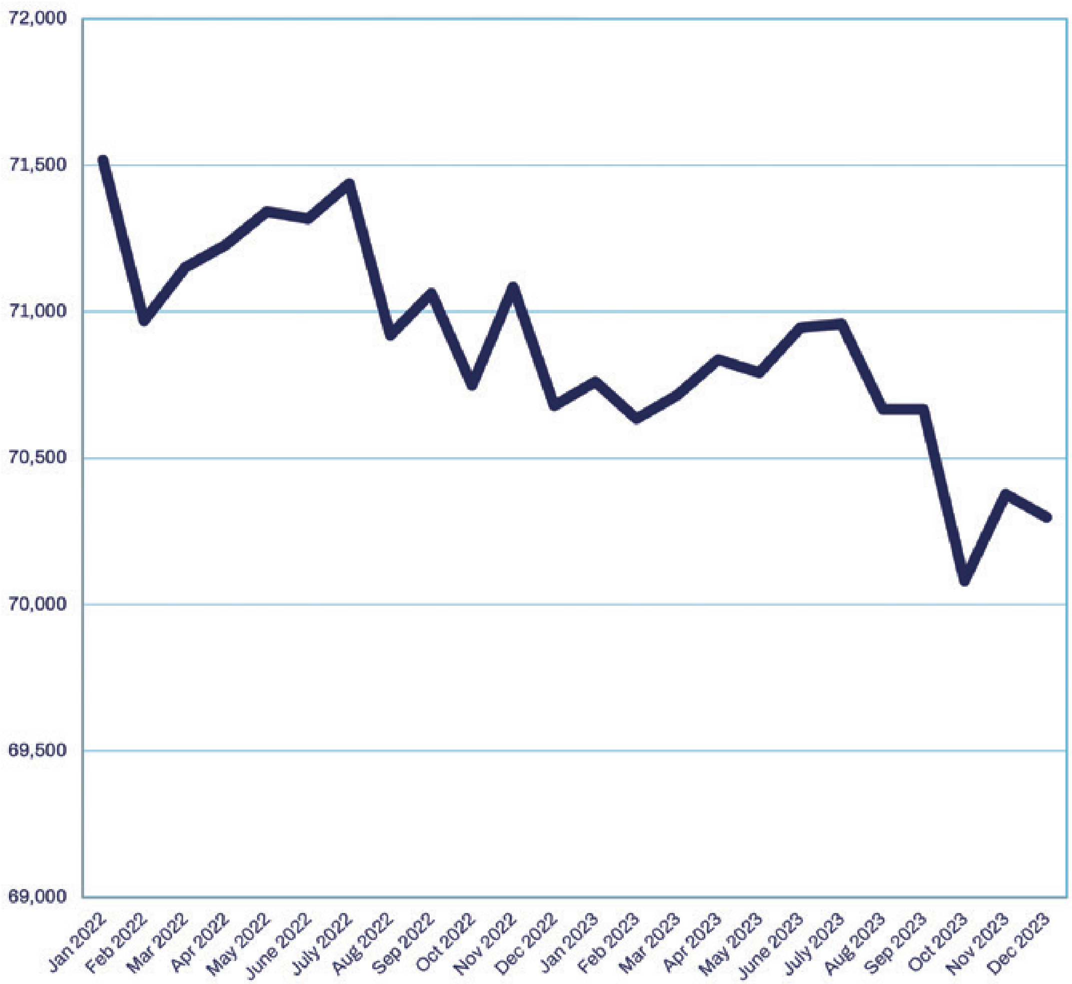


STATE OR TERRITORY	NUMBER OF DISTINCT ACTIVE APPRAISERS DECEMBER 31, 2023 (+/- 5%)
Alabama	1317
Alaska	236
Arizona	2298
Arkansas	888
California	8186
Colorado	2855
Connecticut	1205
Delaware	508
District Of Columbia	827
Florida	6039
Georgia	3341
Guam	22
Hawaii	537
Idaho	836
Illinois	3024
Indiana	2203
Iowa	1153
Kansas	1075
Kentucky	1352
Louisiana	1341
Maine	610
Maryland	2143
Massachusetts	1860
Michigan	2504

STATE OR TERRITORY	NUMBER OF DISTINCT ACTIVE APPRAISERS DECEMBER 31, 2023 (+/- 5%)
Minnesota	1758
Mississippi	993
Missouri	2003
Montana	494
Nebraska	676
Nevada	987
New Hampshire	659
New Jersey	2616
New Mexico	642
New York	3406
North Carolina	3074
North Dakota	327
Northern Mariana Islands	4
Ohio	2745
Oklahoma	1146
Oregon	1398
Pennsylvania	2926
Puerto Rico	291
Rhode Island	446
South Carolina	2337
South Dakota	402
Tennessee	2151
Texas	5791
Utah	1270

STATE OR TERRITORY	NUMBER OF DISTINCT ACTIVE APPRAISERS DECEMBER 31, 2023 (+/- 5%)
Vermont	259
Virgin Islands	23
Virginia	3200
Washington	2583
West Virginia	585
Wisconsin	1919
Wyoming	356
All States and Territories	70,298

DISTINCT APPRAISERS



Tools for Monitoring State Compliance with Title XI

MONITORING TOOL	DESCRIPTION	FREQUENCY
Routine Compliance Reviews	Full on-site Reviews of State appraiser regulatory Programs.	Every 2 years or annually if ASC determines a State needs closer monitoring.
Follow-up Compliance Reviews	On-site Reviews focused on areas of noncompliance identified during routine Compliance Reviews.	6 to 12 months after previous Compliance Review.
Priority Contact Visits	On-site visits, usually to States with large populations of appraisers, to discuss potentially problematic emerging issues and maintain a close working relationship with the State agency.	As needed.
Off-site Monitoring	Telephone or e-mail contacts with State agencies regarding emerging compliance issues and progress in addressing previously identified issues.	Continuous.

Appraiser Disciplinary Action Reported by States

January 1, 2014 - December 31, 2023

STATE	ADDITIONAL EDUCATION	DOWNGRADE	LIMITED	MONETARY FINE	OFFICIAL REPRIMAND	OTHER	PROBATION	REVOCATION	SUSPENSION	TP ACTION	VOLUNTARY SURRENDER	WARNING, CORRECTIVE ACTION, AND ORDISCIPLINARY ACTION	TOTAL
Alabama	25	0	0	75	14	41	0	1	3	0	3	15	177
Alaska	5	0	0	8	0	9	1	1	0	0	0	4	28
Arizona	54	0	0	11	0	3	15	6	9	0	5	2	105
Arkansas	17	0	2	21	0	1	18	0	3	0	6	0	68
California	547	0	30	458	1	11	110	27	108	0	42	0	1334
Colorado	35	2	0	45	6	15	4	18	16	0	18	62	221
Connecticut	1	0	0	87	0	0	1	1	5	0	1	1	97
Delaware	18	0	0	26	49	2	7	3	3	0	0	0	108
District Of Columbia	8	0	0	6	5	0	0	2	2	0	0	0	23
Florida	118	0	0	146	1	52	99	40	20	0	0	0	476
Georgia	0	0	0	0	9	208	0	19	12	0	0	0	248
Guam	0	0	0	0	0	0	0	0	0	0	0	0	0
Hawaii	3	0	0	12	0	0	0	1	0	0	0	0	16
Idaho	14	0	0	46	0	26	20	2	2	0	0	1	111
Illinois	23	0	1	152	25	3	11	19	89	0	9	15	347
Indiana	1	0	0	2	3	0	22	1	7	0	1	1	38
Iowa	25	0	2	4	3	7	1	3	6	0	15	37	103
Kansas	18	2	0	11	0	0	1	1	0	0	3	0	36
Kentucky	40	1	0	29	2	13	0	3	12	0	1	0	101
Louisiana	19	0	0	28	26	0	1	0	0	0	0	0	74
Maine	32	0	0	43	17	2	4	3	7	0	3	19	130
Maryland	32	0	0	94	10	0	0	1	17	0	8	0	162
Massachusetts	81	0	0	90	21	0	56	11	10	0	8	0	277
Michigan	11	0	0	103	6	28	48	6	13	0	2	0	217
Minnesota	44	0	0	105	0	27	2	5	12	0	2	77	274
Mississippi	23	0	0	1	0	4	2	0	4	0	3	2	39
Missouri	0	0	0	0	0	10	33	8	13	0	5	0	69

Appraiser Disciplinary Action Reported by States

January 1, 2014 - December 31, 2023

STATE	ADDITIONAL EDUCATION	DOWNGRADE	LIMITED	MONETARY FINE	OFFICIAL REPRIMAND	OTHER	PROBATION	REVOCATION	SUSPENSION	TP ACTION	VOLUNTARY SURRENDER	WARNING, CORRECTIVE ACTION, AND ORDISCIPLINARY ACTION	TOTAL
Montana	11	0	0	8	1	1	5	3	8	0	2	0	39
Nebraska	11	1	1	11	0	6	2	0	3	0	3	3	41
Nevada	88	0	0	31	0	0	0	7	7	0	4	5	142
New Hampshire	5	0	0	3	5	0	0	5	1	0	0	0	19
New Jersey	32	0	0	82	12	1	5	2	16	0	4	0	154
New Mexico	3	0	0	1	0	0	0	5	2	0	1	29	41
New York	143	0	0	200	12	0	0	22	24	0	2	4	407
North Carolina	88	0	3	0	44	2	6	1	36	0	6	4	190
North Dakota	8	0	0	12	0	3	1	2	2	0	2	1	31
Ohio	63	0	0	62	8	0	0	3	44	0	0	0	180
Oklahoma	113	1	5	190	2	109	60	10	193	0	10	13	706
Oregon	71	0	0	90	3	3	1	4	9	0	14	11	206
Pennsylvania	61	0	0	83	9	2	16	7	14	0	9	4	205
Puerto Rico	0	0	0	1	0	0	0	1	1	0	0	0	3
Rhode Island	1	0	0	1	4	0	1	0	1	0	0	0	8
South Carolina	42	0	0	42	44	1	5	1	6	0	16	0	157
South Dakota	14	0	3	19	11	2	0	0	3	0	3	3	58
Tennessee	72	1	0	52	0	2	0	2	20	0	7	41	197
Texas	177	0	5	126	7	127	64	14	56	0	30	20	626
Utah	18	1	0	23	0	1	4	1	1	0	3	1	53
Vermont	0	0	0	0	1	0	0	0	2	0	1	0	4
Virginia	49	0	0	81	0	1	9	13	13	0	1	81	248
Washington	29	0	0	33	0	0	31	9	10	0	3	0	115
West Virginia	5	0	0	2	3	5	0	2	5	0	1	2	25
Wisconsin	83	0	26	1	110	2	0	2	49	0	23	0	296
Wyoming	6	0	0	6	0	1	1	0	0	0	1	0	15
Total	2387	9	78	2763	474	731	667	298	899	0	281	458	9045

AMC Disciplinary Action Report by States

STATE	ADDITIONAL EDUCATION	DOWNGRADE	LIMITED	MONETARY FINE	OFFICIALRE PRIMAND	OTHER	PROBATION	REVOCATION	SUSPENSION	TP ACTION	VOLUNTARY SURRENDER	WARNING, CORRECTIVE ACTION, AND ORDISCIPLINARY ACTION	TOTAL
Alabama	0	0	0	0	0	1	0	0	0	0	2	0	3
Alaska	0	0	0	0	0	0	0	0	0	0	0	0	0
Arizona	0	0	0	1	0	0	0	0	0	0	2	1	4
Arkansas	0	0	0	0	0	0	0	0	0	0	0	0	0
California	0	0	0	2	0	0	1	0	2	0	3	0	8
Colorado	0	0	0	0	0	0	0	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0	0	0	0	0	0
Delaware	0	0	0	0	0	0	0	0	0	0	0	0	0
District Of Columbia	0	0	0	0	0	0	0	0	0	0	5	0	5
Florida	0	0	0	60	11	0	0	1	8	0	0	0	80
Idaho	0	0	0	0	0	0	0	0	0	0	1	0	1
Illinois	0	0	0	0	0	0	0	0	0	0	0	2	2
Iowa	0	0	0	3	0	0	0	0	0	0	2	3	8
Kansas	0	0	0	0	0	0	0	1	0	0	0	0	1
Kentucky	0	0	0	0	0	0	0	0	0	0	0	0	0
Maine	0	0	0	1	0	0	0	0	0	0	0	1	2
Maryland	0	0	0	0	0	0	0	0	0	0	0	0	0
Minnesota	0	0	0	0	0	0	0	1	0	0	2	1	4
Mississippi	0	0	0	0	0	0	0	0	0	0	0	0	0
Missouri	0	0	0	0	0	0	0	1	0	0	0	0	1
Montana	0	0	0	1	0	0	0	0	0	0	0	0	1
Nebraska	0	0	0	1	0	0	1	0	0	0	1	0	3
Nevada	0	0	0	0	0	0	0	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0	0	0	0	0	0	0	0
New York	0	0	0	0	0	0	0	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0

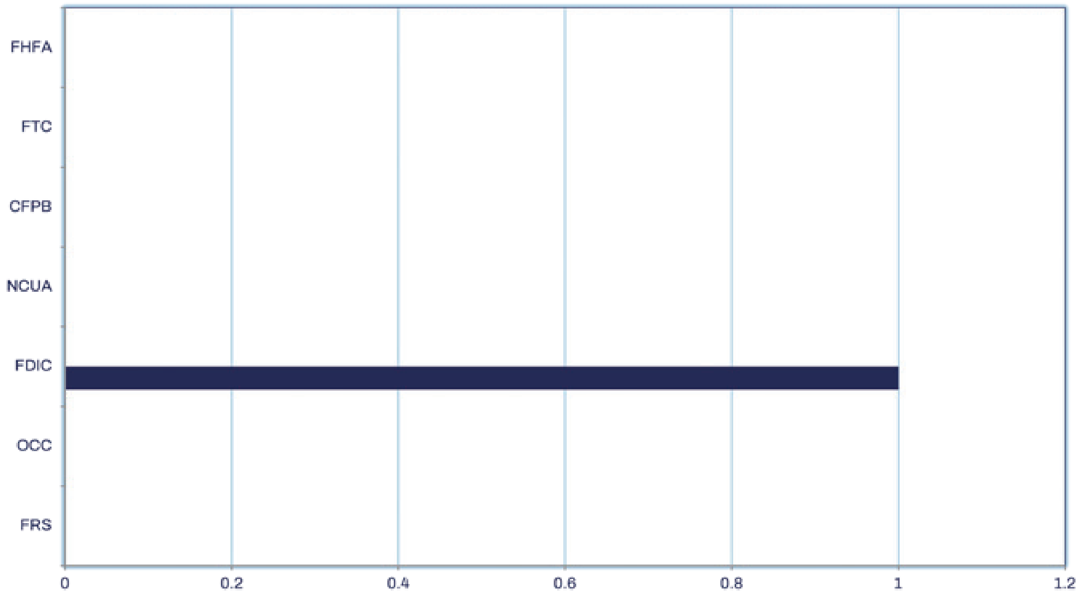
AMC Disciplinary Action Report by States

STATE	ADDITIONAL EDUCATION	DOWNGRADE	LIMITED	MONETARY FINE	OFFICIALRE PRIMAND	OTHER	PROBATION	REVOCATION	SUSPENSION	TP ACTION	VOLUNTARY SURRENDER	WARNING, CORRECTIVE ACTION, AND ORDISCIPLINARY ACTION	TOTAL
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0	0
Ohio	0	0	0	0	0	0	0	0	0	0	0	0	0
Oklahoma	0	0	0	5	0	0	0	0	0	0	0	0	5
Oregon	0	0	0	0	0	0	0	0	0	0	0	0	0
Pennsylvania	0	0	0	5	2	0	0	0	0	0	0	0	7
South Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0	0	0	0	1	0	1
Tennessee	0	0	0	0	0	0	0	0	0	0	0	4	4
Texas	0	0	0	0	0	0	0	0	0	0	0	0	0
Utah	0	0	0	5	0	0	0	0	0	0	1	0	6
Virginia	0	0	0	3	0	0	0	0	0	0	0	3	6
West Virginia	0	0	0	0	0	0	0	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0	0	0	0	0	2	0	2
Total	0	0	0	87	13	1	2	4	10	0	22	15	154

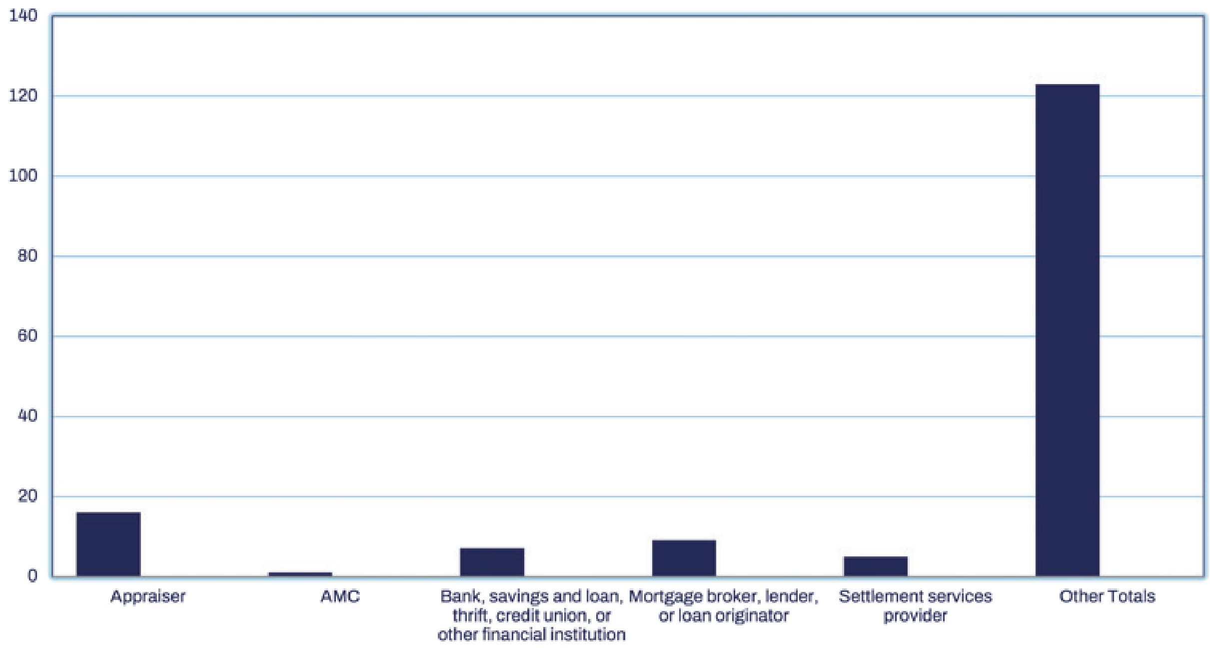
2023				
IN-BOUND SOURCE	**2023 TOTALS**	**REFERRAL TYPE**	**DESCRIPTION**	**2023 TOTALS**
Call Center Calls	702	Complainant	Appraiser	16
Call Center Referrals			AMC	1
Email Referral	72		Bank, savings and loan, thrift, credit union, or other financial institution	7
Website Hits/Visits	3144		Mortgage broker, lender, or loan originator	9
Federal Agency Referrals	1		Settlement services provider	5
State Agency Referrals	110		Other Totals	123
MEMBER AGENCY REFERRALS			Consumer*	93
AGENCY	**2023 TOTALS**		Real Estate Agent	0
FRS	0		Attorney	0
OCC	0		Insurance Agent	0
FDIC	1		Federal Entity	1
NCUA	0		Blank/Undefined	29
CFPB	0	Complaint	USPAP	73
FTC	0		Appraisal Independence	41

2023				
IN-BOUND SOURCE	**2023 TOTALS**	**REFERRAL TYPE**	**DESCRIPTION**	**2023 TOTALS**
FHFA	0	Complaint Against	Appraiser	23
*Consumer consists of the following self-identified categories: Property Owner, Homeowner, Buyer, Borrower, Seller and Loan Applicant.			AMC	3
			Bank, savings and loan, thrift, credit union, or other financial institution	3
			Mortgage broker, lender, or loan originator	4
			Settlement services provider	1
			Other	3
		Property Type	1-4 Unit Residential	92
			Commercial	11
			No Property	7
		Federal Loan Type	FHA	24
			VA	10
			USDA	2
			None	74

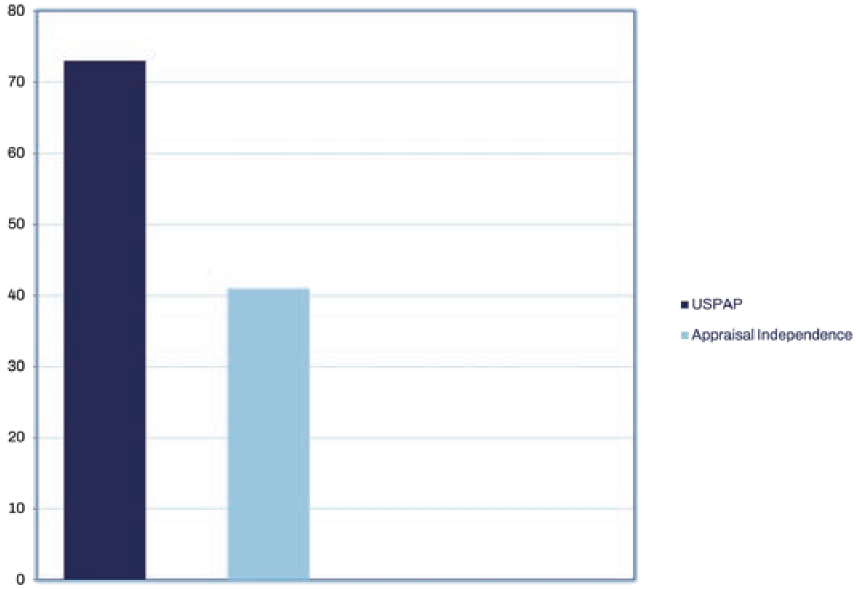
Federal Agency Referrals
2023



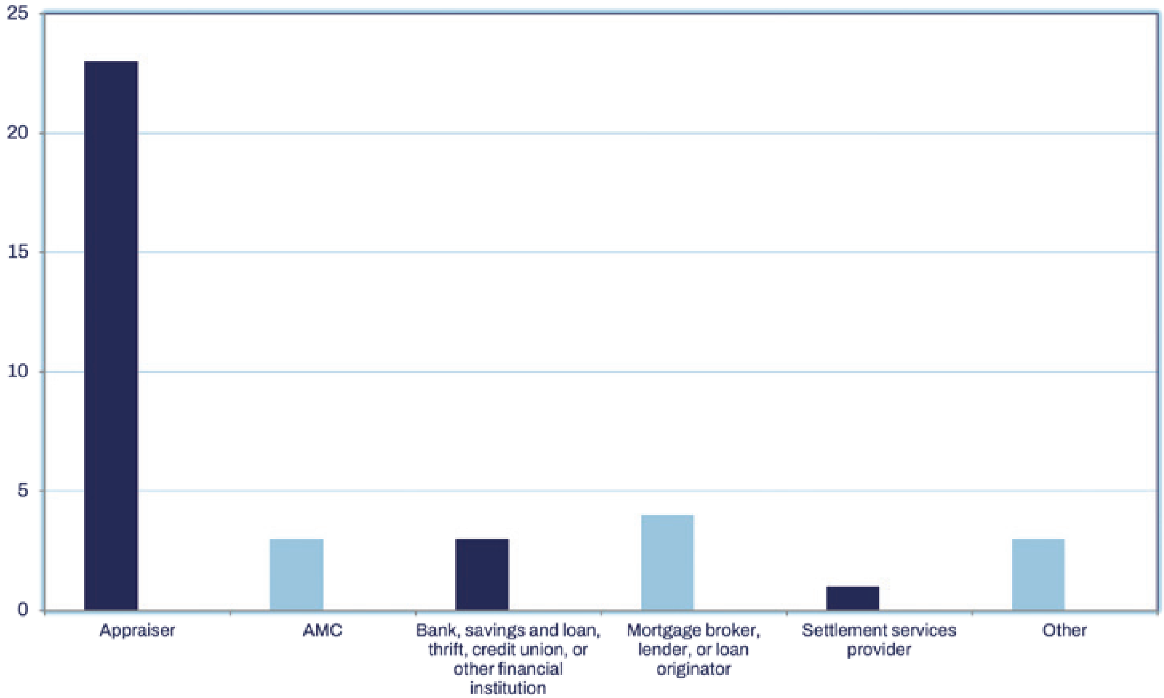
Complainant Type
2023



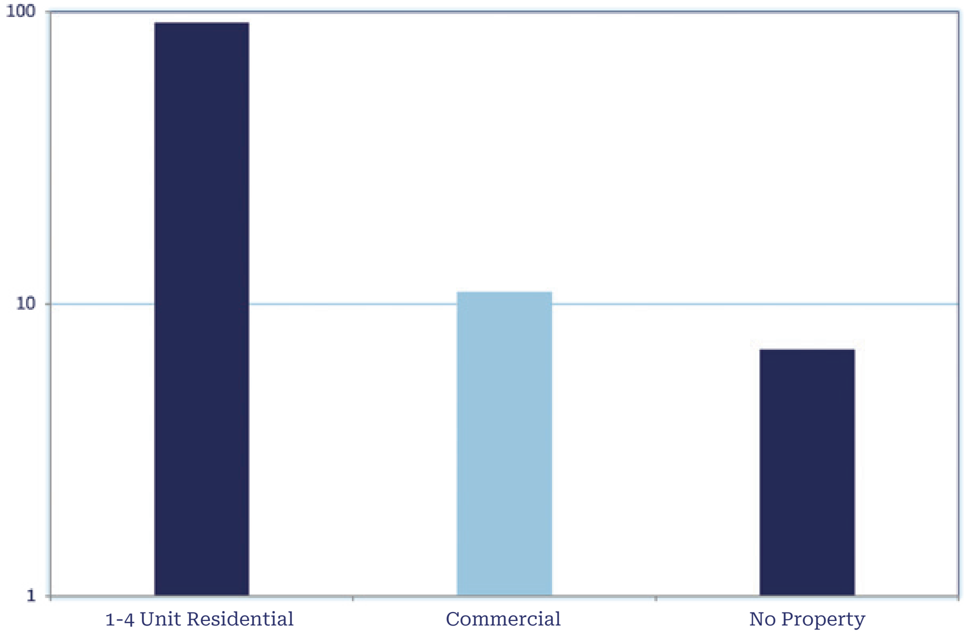
Complaint Type
2023



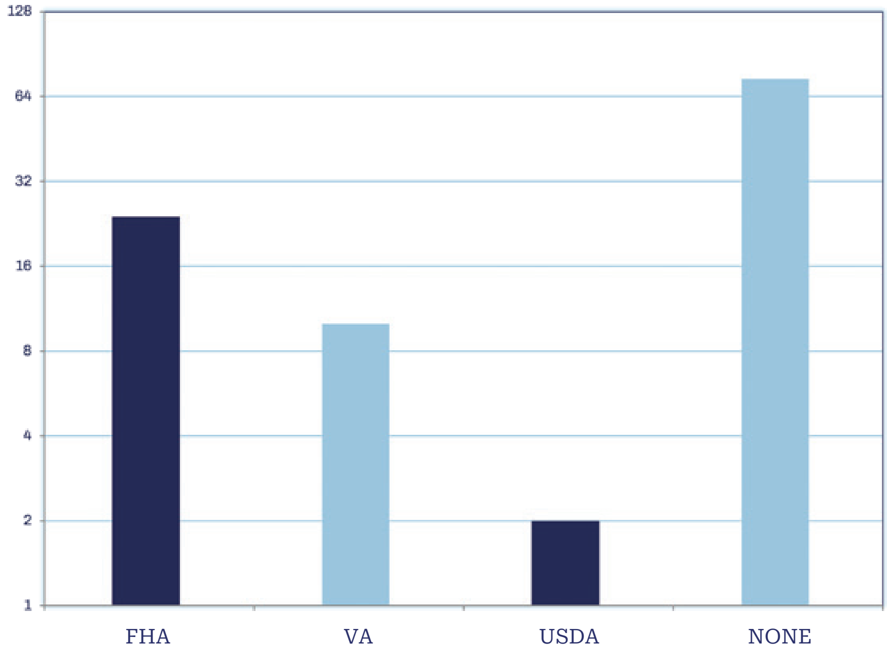
Complaint Against
2023



Property Type
YTD 2023



Federal Loan Type
YTD 2023



COMPLAINANT	AGENCY					
	FDIC	FRB	NCUA	OCC	CFPB	TOTAL
Appraiser	0	0	0	19	13	32
Appraisal Management Company	0	0	0	0	0	0
Business Property Owner	2	0	0	0	0	2
Financial Institution Lender	0	0	0	0	1	1
Individual Property Owner	8	2	0	14	109	133
Mortgage Broker	0	0	0	0	2	2
Non-Financial Institution Lender	0	0	0	0	0	0
Other	5	0	0	4	10	19
COMPLAINT AGAINST	**FDIC**	**FRB**	**NCUA**	**OCC**	**CFPB**	**TOTAL**
Appraiser	5	0	0	1	51	57
Appraisal Management Company	0	0	0	1	8	9
Lender	14	2	0	34	71	121
Other	1	0	0	1	8	10
COMPLAINT TYPE	**FDIC**	**FRB**	**NCUA**	**OCC**	**CFPB**	**TOTAL**
Non-Compliance with USPAP	7	0	0	3	87	97
Appraisal Independence	4	0	0	0	23	27
Other	4	2	0	34	25	65

Unofficial ASC staff version of Title XI Title XI of FIRREA Real Estate Appraisal Reform [12 U.S.C. 3331-3356] as amended by the Dodd-Frank Act and the Economic Growth, Regulatory Relief and Consumer Protection Act

§ 1101. Purpose

[12 U.S.C. 3331]

The purpose of this title 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.

§ 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council

[12 U.S.C. 3310]

The Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended by adding at the end thereof the following new section:

§ 1011. Establishment of Appraisal Subcommittee

There shall be within the Council a subcommittee to be known as the Appraisal Subcommittee, which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession. At all times at least one member of the Appraisal Subcommittee shall have demonstrated knowledge and competence through licensure, certification, or professional designation within the appraisal profession.

§ 1103. Functions of Appraisal Subcommittee

[12 U.S.C. 3332]

(a) *In general*. The Appraisal Subcommittee shall—

(1) monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and

(B) for the registration and supervision of the operations and activities of an appraisal management company;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies [and the Resolution Trust Corporation] with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;

(3) maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;

(4) [Omitted] terminated effective May 15, 2000, pursuant to § 3003 of Act Dec. 21, 1995, P.L. 104-66, which appears as 31 USCS § 1113 note (see also page 170 of House Document No. 103-7);

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance; and

(6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision

of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

(b) *Monitoring and reviewing Foundation*. The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

§ 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings

[12 U.S.C. 3333]

(a) *Chairperson*. The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.

(b) *Meetings; quorum; voting*. The Appraisal Subcommittee shall meet in public session after notice in the Federal Register, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports at the call of the Chairperson or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal Subcommittee shall be made by the vote of a majority of its members. The subject matter discussed in any closed or executive session shall be described in the Federal Register notice of the meeting.

§ 1105. Officers and staff

[12 U.S.C. 3334]

The Chairperson of the Appraisal Subcommittee shall appoint such officers and staff as may be necessary to carry out the functions of this title consistent with the appointment and compensation practices of the Council.

§ 1106. Powers of Appraisal Subcommittee

[12 U.S.C. 3335]

The Appraisal Subcommittee may, for the purpose of carrying out this title, establish advisory committees, hold hearings, prescribe regulations in accordance with chapter 5 of title 5, *United States Code* (commonly referred to as the Administrative Procedures Act) after notice and opportunity for comment, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate. Any regulations prescribed by the Appraisal Subcommittee shall (unless otherwise provided in this title) be limited to the following functions: temporary practice, national registry, information sharing, and enforcement. For purposes of prescribing regulations, the Appraisal Subcommittee shall establish an advisory committee of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies, and hold meetings as necessary to support the development of regulations.

§ 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers

[12 U.S.C. 3336]

Appraisal standards and requirements for using State certified and licensed appraisers in federally related transactions pursuant to this title shall be prescribed in accordance with procedures set forth in section 553 of title 5, United States Code, including the publication of notice and receipt of written comments or the holding of public hearings with respect to any standards or requirements proposed to be established.

§ 1108. Startup funding

[12 U.S.C. 3337]

(a) *In general*. For purposes of this title, the Secretary of the Treasury shall pay to the Appraisal Subcommittee a one-time payment of $ 5,000,000 on the date of the enactment of this Act [enacted Aug. 9, 1989]. Thereafter, expenses of the subcommittee shall be funded through the collection of registry fees from certain certified and licensed appraisers pursuant to section 1109 [*12 USCS § 3338*] or, if required, pursuant to section 1122(b) of this title [*12 USCS § 3351(b)*].

(b) *Additional funds*. Except as provided in section 1122(c) of this title [*12 USCS § 3351(b)*], funds in addition to the funds provided under subsection (a) may be made available to the Appraisal Subcommittee only if authorized and appropriated by law.

(c) *Repayment of Treasury loan*. Not later than

September 30, 1998, the Appraisal Subcommittee shall repay to the Secretary of the Treasury the unpaid portion of the $5,000,000 paid to the Appraisal Subcommittee pursuant to this section.

§ 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees

[12 U.S.C. 3338]

(a) *In general*. Each State with an appraiser certifying and licensing agency whose certifications and licenses comply with this title, shall—

(1) transmit to the Appraisal Subcommittee, no less than annually, a roster listing individuals who have received a State certification or license in accordance with this title;

(2) transmit reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, license and certification revocations, and license and certification suspensions on a timely basis to the national registry of the Appraisal Subcommittee;

(3) transmit reports on a timely basis of supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and disciplinary actions taken; and

(4) collect—

(A) from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than $40, such fees to be transmitted by the State agencies to the Council on an annual basis; and

(B) from an appraisal management company that either has registered with a State appraiser certifying and licensing agency in accordance with this title or operates as a subsidiary of a federally regulated financial institution, an annual registry fee of—

(i) in the case of such a company that has been in existence for more than a year, $25 multiplied by the number of appraisers working for or contracting with such company in such State during the previous year, but where such $25 amount may be adjusted, up to a maximum of $50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title; and

(ii) in the case of such a company that has not been in existence for more than a year, $25 multiplied by an appropriate number to be determined by the Appraisal Subcommittee, and where such number will be used for determining the fee of all such companies that were not in

existence for more than a year, but where such $25 amount may be adjusted, up to a maximum of $50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title.

Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees under paragraph (4)(A), up to a maximum of $80 per annum, as necessary to carry out its functions under this title. The Appraisal Subcommittee shall consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. In implementing any change in registry fees, the Appraisal Subcommittee shall provide flexibility to the States for multi-year certifications and licenses already in place, as well as a transition period to implement the changes in registry fees. In establishing the amount of the annual registry fee for an appraisal management company, the Appraisal Subcommittee shall have the discretion to impose a minimum annual registry fee for an appraisal management company to protect against the under reporting of the number of appraisers working for or contracted by the appraisal management company.

(b) *Use of amounts appropriated or collected.* Amounts appropriated for or collected by the Appraisal Subcommittee under this section shall be used—

(1) to maintain a registry of individuals who are qualified and eligible to perform appraisals in connection with federally related transactions;

(2) to support its activities under this title;

(3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month startup period following the date of the enactment of this title [enacted Aug. 9, 1989];

(4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards;

(5) to make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the Appraisal Subcommittee, to support the efforts of such agencies to comply with this title, including—

(A) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and

(B) the submission of data on State licensed and certified appraisers and appraisal management companies to the National appraisal registry, including information affirming that the appraiser or appraisal management company meets the required qualification criteria and formal and informal disciplinary actions; and

(6) to report to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked, or suspended.

§ 1110. Functions of Federal financial institutions regulatory agencies relating to appraisal standards

[12 U.S.C. 3339]

Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of each such agency or instrumentality. These rules shall require, at a minimum—

(1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation;

(2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities; and

(3) that such appraisals shall be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

§ 1111. Time for proposal and adoption of standards

[12 U.S.C. 3340]

Appraisal standards established under this title shall be proposed not later than 6 months and shall be adopted in final form and become effective not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

§ 1112. Functions of Federal financial institutions regulatory agencies relating to appraiser qualifications

[12 U.S.C. 3341]

(a) *In general*. Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title [*12 USCS §§ 3342, 3343*], which categories of federally related transactions should be appraised by a State certified appraiser and which by a State licensed appraiser under this title.

(b) *Threshold level*. Each Federal financial institutions regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions and receives concurrence from the Bureau of Consumer Financial Protection that such threshold level provides reasonable protection for consumers who purchase 1–4 unit single-family residences.

(c) *GAO study of appraisals in connection with real estate related financial transactions below the threshold level.*

(1) *GAO studies*. The Comptroller General of the United States may conduct, under such conditions as the Comptroller General determines appropriate, studies on the adequacy and quality of appraisals or evaluations conducted in connection with real estate related financial transactions below the threshold level established under subsection (b), taking into account—

(A) the cost to any financial institution involved in any such transaction;

(B) the possibility of losses to the Deposit Insurance Fund or the National Credit Union Share Insurance Fund;

(C) the cost to any customer involved in any such transaction; and

(D) the effect on low-income housing.

(2) *Reports to Congress and the appropriate Federal financial institutions regulatory agencies*. Upon completing each of the studies referred to in paragraph (1), the Comptroller General shall submit a report on the Comptroller General's findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

§ 1113. Transactions requiring the services of a State certified appraiser

[12 U.S.C. 3342]

In determining whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser, an agency or instrumentality under this title shall consider whether transactions, either individually or collectively, are of sufficient financial or public policy importance to the United States that an individual who performs an appraisal in connection with such transactions should be a State certified appraiser, except that—

(1) a State certified appraiser shall be required for all federally related transactions having a value of $1,000,000 or more; and

(2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser, where a complex 1-to-4 unit single family residential appraisal means an appraisal for which the property to be appraised, the form of ownership, the property characteristics, or the market conditions are atypical.

§ 1114. Transactions requiring the services of a State licensed appraiser

[12 U.S.C. 3343]

All federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser.

§ 1115. Time for proposal and adoption of rules

[12 U.S.C. 3344]

As appropriate, rules issued under sections 1113 and 1114 [*12 USCS §§ 3342 and 3343*] shall be proposed not later than 6 months and shall be effective upon adoption in final form not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

§ 1116. Certification and licensing requirements

[12 U.S.C. 3345]

(a) *In general*. For purposes of this title, the term "State certified real estate appraiser" means any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation.

(b) *Restriction*. No individual shall be a State certified real estate appraiser under this section unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board of the Appraisal Foundation.

(c) *"State licensed appraiser" defined*. As used in this section, the term "State licensed appraiser" means an individual who has satisfied the requirements for State licensing in a State or territory whose criteria for the licensing of a real estate appraiser currently meet or exceed the minimum criteria issued by the Appraisal Qualifications Board of The Appraisal Foundation for the licensing of real estate appraisers.

(d) *Additional qualification criteria*. Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

(e) *Minimum Qualification Requirements*. Any requirements established for individuals in the position of 'Trainee Appraiser' and 'Supervisory Appraiser' shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation. The Appraisal Subcommittee shall have the authority to enforce these requirements.

§ 1117. Establishment of State appraiser certifying and licensing agencies

[12 U.S.C. 3346]

To assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers, a State may establish a State appraiser certifying and licensing agency. The duties of such agency may additionally include the registration and supervision of appraisal management companies and the addition of information about the appraisal management company to the national registry.

§ 1118. Monitoring of State appraiser certifying and licensing agencies

[12 U.S.C. 3347]

(a) *In general*. The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purposes of determining whether such agency—

(1) has policies, practices, funding, staffing, and procedures that are consistent with this title;

(2) processes complaints and completes investigations in a reasonable time period;

(3) appropriately disciplines sanctioned appraisers and appraisal management companies;

(4) maintains an effective regulatory program; and

(5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.

The Appraisal Subcommittee shall have the authority to remove a State licensed or certified appraiser or a registered appraisal management company from a national registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration, and disciplinary proceedings. The Appraisal Subcommittee and all agencies, instrumentalities, and Federally recognized entities under this title shall not recognize appraiser certifications and licenses from States whose appraisal policies, practices, funding, staffing, or procedures are found to be inconsistent with this title. The Appraisal Subcommittee shall have the authority to impose sanctions, as described in this section, against a State agency that fails to have an effective appraiser regulatory program. In determining whether such a program is effective, the Appraisal Subcommittee shall include an analysis of the licensing and certification of appraisers, the registration of appraisal management companies, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and appraisal management companies, the investigation of complaints, and enforcement actions against appraisers and appraisal management companies. The Appraisal Subcommittee shall have the authority to impose interim actions and suspensions against a State agency as an alternative to, or in advance of the derecognition of a State agency.

(b) *Disapproval by Appraisal Subcommittee*. The Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that—

(1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;

(2) the State agency is not granted authority or sufficient funding by the State which is adequate to permit the agency to carry out its functions under this title; or

(3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

(c) *Rejection of State certifications and licenses.*

(1) *Opportunity to be heard or correct conditions*. Before refusing to recognize a State's appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State's certifying and licensing agency a written notice of its intention not to recognize the State's certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.

(2) *Adoption of procedures*. The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.

(3) *Judicial review*. A decision of the subcommittee under this section shall be subject to judicial review.

§ 1119. Recognition of State certified and licensed appraisers for purposes of this title *[12 U.S.C. 3348]*

(a) *Effective date for use of certified or licensed appraisers only.*

(1) *In general*. Not later than December 31, 1992, all appraisals performed in connection with federally related transactions shall be performed only by individuals certified or licensed in accordance with the requirements of this title.

(2) *Extension of effective date*. Subject to the approval of the Council, the Appraisal Subcommittee may extend, until December 31, 1991, the effective date for the use of certified or licensed appraisers if it makes a written finding that a State has made substantial progress in establishing a State certification and licensing system that appears to conform to the provisions of this title.

(b) *Temporary waiver of appraiser certification or licensing requirements for State having scarcity of qualified appraisers*. Subject to the approval of the Council, the Appraisal Subcommittee may waive any requirement relating to certification or licensing of a person to perform appraisals under this title if the Appraisal Subcommittee or a State agency whose certifications and licenses are in compliance with this title, makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

(c) *Reports to State certifying and licensing agencies*. The Appraisal Subcommittee, any other Federal agency or instrumentality, or any federally recognized entity shall report any action of a State certified or licensed appraiser that is contrary to the purposes of this title to the appropriate State agency for a disposition of the subject of the referral. The State agency shall provide the Appraisal Subcommittee or the other Federal agency or instrumentality with a report on its disposition of the matter referred. Subsequent to such disposition, the subcommittee or the agency or instrumentality may take such further action, pursuant to written procedures, it deems necessary to carry out the purposes of this title.

§ 1120. Violations in obtaining and performing appraisals in federally related transactions *[12 U.S.C. 3349]*

(a) *Violations*. Except as authorized by the Appraisal Subcommittee in exercising its waiver authority pursuant to section 1119(b) [*12 USCS § 3348(b)*], it shall be a violation of this section—

(1) for a financial institution to seek, obtain, or give money or any other thing of value in exchange for the performance of an appraisal by a person who the institution knows is not a State certified or licensed appraiser in connection with a federally related transaction; and

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who

is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) [12 USCS § 3350(5)] to which such association or corporation is a party.

(b) *Penalties*. A financial institution that violates subsection (a)(1) shall be subject to civil penalties under section 8(i)(2) of the Federal Deposit Insurance Act or section 206(k)(2) of the Federal Credit Union Act [12 USCS § 1818(i)(2) or 1786(k)(2)], as appropriate.

(c) *Proceeding*. A proceeding with respect to a violation of this section shall be an administrative proceeding which may be conducted by a Federal financial institutions regulatory agency in accordance with the procedures set forth in subchapter II of chapter 5 of title 5, United States Code [5 USCS §§ 551 et seq.].

§ 1121. Definitions

[12 U.S.C. 3350]

For purposes of this title:

(1) *State appraiser certifying and licensing agency*. The term "State appraiser certifying and licensing agency" means a State agency established in compliance with this title.

(2) *Appraisal Subcommittee; subcommittee*. The terms "Appraisal Subcommittee" and "subcommittee" mean the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(3) *Council*. The term "Council" means the Federal Financial Institutions Examination Council.

(4) *Federally related transaction*. The term "federally related transaction" means any real estate-related financial transaction which—

(A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and

(B) requires the services of an appraiser.

(5) *Real estate related financial transaction*. The term "real estate-related financial transaction" means any transaction involving—

(A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

(B) the refinancing of real property or interests in real property; and

(C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(6) *Federal financial institutions regulatory agencies*. The term "Federal financial institutions regulatory agencies" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

(7) *Financial institution*. The term "financial institution" means an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act [12 USCS § 1813] or an insured credit union as defined in section 101 of the Federal Credit Union Act [*12 USCS § 1752*].

(8) *Chairperson*. The term "Chairperson" means the Chairperson of the Appraisal Subcommittee selected by the Council.

(9) *Foundation*. The terms "Appraisal Foundation" and "Foundation" means [mean] the Appraisal Foundation established on November 30, 1987, as a not for profit corporation under the laws of Illinois.

(10) *Written appraisal*. The term "written appraisal" means a written statement used in connection with a federally related transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(11) *Appraisal Management Company*. The term 'appraisal management company' means, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors

and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

§ 1122. Miscellaneous provisions

[12 U.S.C. 3351]

(a) *Temporary practice.*

(1) *In general*. A State appraiser certifying or licensing agency shall recognize on a temporary basis the certification or license of an appraiser issued by another State if—

(A) the property to be appraised is part of a federally related transaction,

(B) the appraiser's business is of a temporary nature, and

(C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.

(2) *Fees for temporary practice*. A State appraiser certifying or licensing agency shall not impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice under this subsection.

(b) *Reciprocity*. Notwithstanding any other provisions of this title, a federally related transaction shall not be appraised by a certified or licensed appraiser unless the State appraiser certifying or licensing agency of the State certifying or licensing such appraiser has in place a policy of issuing a reciprocal certification or license for an individual from another State when—

(1) the appraiser licensing and certification program of such other State is in compliance with the provisions of this title; and

(2) the appraiser holds a valid certification from a State whose requirements for certification or licensing meet or exceed the licensure standards established by the State where an individual seeks appraisal licensure.

(c) *Supplemental funding*. Funds available to the Federal financial institutions regulatory agencies may be made available to the Federal Financial Institutions Examination Council to support the Council's functions under this title.

(d) *Prohibition against discrimination*. Criteria established by the Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation for appraiser qualifications in addition to State certification or licensing may include education achieved, experience, sample appraisals, and references from prior clients. Membership in a nationally recognized professional appraisal organization may be a criteria considered, though lack of membership therein shall not be the sole bar against consideration for an assignment under these criteria.

(e) *Other requirements*. A corporation, partnership, or other business entity may provide appraisal services in connection with federally related transactions if such appraisal is prepared by individuals certified or licensed in accordance with the requirements of this title. An individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if—

(1) the assistant is under the direct supervision of a licensed or certified individual; and

(2) the final appraisal document is approved and signed by an individual who is certified or licensed.

(f) *Studies.*

(1) *Study*. The Appraisal Subcommittee shall—

(A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and

(B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.

(2) *Report*. The Appraisal Subcommittee shall—
(A) report its findings to the Congress with

respect to the study described in paragraph (1)(A) no later than 12 months after the date of the enactment of this title [enacted Aug. 9, 1989], and (B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later than 18 months after the date of the enactment of this title [enacted Aug. 9, 1989].

(g) *Appraiser Independence Monitoring*. The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purpose of determining whether such agency's policies, practices, and procedures are consistent with the purposes of maintaining appraiser independence and whether such State has adopted and maintains effective laws, regulations, and policies aimed at maintaining appraiser independence.

(h) *Approved Education*. The Appraisal Subcommittee shall encourage the States to accept courses approved by the Appraiser Qualification Board's Course Approval Program.

(i) *Appraisal Complaint National Hotline*. If, 6 months after the date of the enactment of this subsection, the Appraisal Subcommittee determines that no national hotline exists to receive complaints of non-compliance with appraisal independence standards and Uniform Standards of Professional Appraisal Practice, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process, the Appraisal Subcommittee shall establish and operate such a national hotline, which shall include a toll-free telephone number and an email address. If the Appraisal Subcommittee operates such a national hotline, the Appraisal Subcommittee shall refer complaints for further action to appropriate governmental bodies, including a State appraiser certifying and licensing agency, a financial institution regulator, or other appropriate legal authorities. For complaints referred to State appraiser certifying and licensing agencies or to Federal regulators, the Appraisal Subcommittee shall have the authority to follow up such complaint referrals in order to determine the status of the resolution of the complaint.

§ 1123. Emergency exceptions for disaster areas

[12 U.S.C. 3352]

(a) *In general*. Each Federal financial institutions regulatory agency may, by regulation or order, make exceptions to this title, and to standards prescribed pursuant to this title, for transactions involving institutions for which the agency is the primary Federal regulator with respect to real property located within a disaster area if the agency—

(1) makes the exception not later than 30 months after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [*42 USCS § 5170*], that a major disaster exists in the area; and

(2) determines that the exception—

(A) would facilitate recovery from the major disaster; and

(B) is consistent with safety and soundness.

(b) *3-year limit on exceptions*. Any exception made under this section shall expire not later than 3 years after the date of the determination referred to in subsection (a)(1).

(c) *Publication required*. Any Federal financial institutions regulatory agency shall publish in the Federal Register a statement that—

(1) describes any exception made under this section; and

(2) explains how the exception—

(A) would facilitate recovery from the major disaster; and

(B) is consistent with safety and soundness.

(d) *"Disaster area" defined*. For purposes of this section, the term "disaster area" means an area in which the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [*42 USCS § 5170*], has determined that a major disaster exists.

§ 1124. Appraisal Management Company Minimum Requirements

[12 U.S.C. 3353]

(a) In general. The Board of Governors of the Federal Reserve System, the Comptroller of

the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly, by rule, establish minimum requirements to be applied by a State in the registration of appraisal management companies. Such requirements shall include a requirement that such companies—

(1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;

(2) verify that only licensed or certified appraisers are used for federally related transactions;

(3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and

(4) require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

(b) *Relation to State Law*. Nothing in this section shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection (a).

(c) *Federally Regulated Financial Institutions*. The requirements of subsection (a) shall apply to an appraisal management company that is a subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency. An appraisal management company that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State.

(d) *Registration Limitations*. An appraisal management company shall not be registered by a State or included on the national registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Additionally, each person that owns more than 10 percent of an appraisal management company shall be of good moral character, as determined by the State appraiser certifying and licensing agency, and shall submit to a background investigation carried out by the State appraiser certifying and licensing agency.

(e) *Reporting*. The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly promulgate regulations for the reporting of the activities of appraisal management companies to the Appraisal Subcommittee in determining the payment of the annual registry fee.

(f) *Effective Date*.

(1) *In general*. No appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months after the date on which the regulations required to be prescribed under subsection (a) are prescribed in final form unless such company is registered with such State or subject to oversight by a Federal financial institutions regulatory agency.

(2) *Extension of Effective Date*. Subject to the approval of the Council, the Appraisal Subcommittee may extend by an additional 12 months the requirements for the registration and supervision of appraisal management companies if it makes a written finding that a State has made substantial progress in establishing a State appraisal management company registration and supervision system that appears to conform with the provisions of this title.

§ 1125. Automated Valuation Models Used to Estimate Collateral Value for Mortgage Lending Purposes.

[12 U.S.C. 3354]

(a) *In general*. Automated valuation models shall adhere to quality control standards designed to—

(1) ensure a high level of confidence in the estimates produced by automated valuation models;

(2) protect against the manipulation of data;

(3) seek to avoid conflicts of interest;

(4) require random sample testing and reviews; and

(5) account for any other such factor that the agencies listed in subsection (b) determine to be appropriate.

(b) *Adoption of Regulations*. The Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection, in consultation with the staff of the Appraisal Subcommittee and the Appraisal Standards Board of the Appraisal Foundation, shall promulgate regulations to implement the quality control standards required under this section.

(c) *Enforcement*. Compliance with regulations issued under this subsection shall be enforced by—

(1) with respect to a financial institution, or subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency, the Federal financial institution regulatory agency that acts as the primary Federal supervisor of such financial institution or subsidiary; and

(2) with respect to other participants in the market for appraisals of 1-to-4 unit single family residential real estate, the Federal Trade Commission, the Bureau of Consumer Financial Protection, and a State attorney general.

(d) *Automated Valuation Model Defined*. For purposes of this section, the term 'automated valuation model' means any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer's principal dwelling.

§ 1126. Broker Price Opinions

[12 U.S.C. 3355]

(a) *General Prohibition*. In conjunction with the purchase of a consumer's principal dwelling, broker price opinions may not be used as the primary basis to determine the value of a piece of property for the purpose of a loan origination of a residential mortgage loan secured by such piece of property.

(b) *Broker Price Opinion Defined*. For purposes of this section, the term 'broker price opinion' means an estimate prepared by a real estate broker, agent, or sales person that details the probable selling price of a particular piece of real estate property and provides a varying level of detail about the property's condition, market, and neighborhood, and information on comparable sales, but does not include an automated valuation model, as defined in section 1125(c).

§ 1127. Exemption From Appraisals of Real Estate Located in Rural Areas

[12 U.S.C. 3356]

(a) *Definitions*. In this section—

(1) the term 'mortgage originator' has the meaning given the term in section 103 of the Truth in Lending Act (15 U.S.C. 1602); and

(2) the term 'transaction value' means the amount of a loan or extension of credit, including a loan or extension of credit that is part of a pool of loans or extensions of credit.

(b) *Appraisal Not Required*. Except as provided in subsection (d), notwithstanding any other provision of law, an appraisal in connection with a federally related transaction involving real property or an interest in real property is not required if—

(1) the real property or interest in real property is located in a rural area, as described in section 1026.35(b)(2)(iv)(A) of title 12, Code of Federal Regulations;

(2) not later than 3 days after the date on which the Closing Disclosure Form, made in accordance with the final rule of the Bureau of Consumer Financial Protection entitled 'Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act (Regulation X) and the Truth in Lending Act (Regulation Z)' (78 Fed. Reg. 79730 (December 31, 2013)), relating to the federally related transaction is given to the consumer, the mortgage originator or its agent, directly or indirectly—

(A) has contacted not fewer than 3 State certified appraisers or State licensed appraisers, as applicable, on the mortgage originator's approved appraiser list in the market area in accordance with part 226 of title 12, Code of Federal Regulations; and

(B) has documented that no State certified appraiser or State licensed appraiser, as applicable, was available within 5 business days beyond customary and reasonable fee and timeliness standards for comparable appraisal assignments, as documented by the mortgage originator or its agent;

(3) the transaction value is less than $400,000; and

(4) the mortgage originator is subject to oversight by a Federal financial institutions regulatory agency.

(c) *Sale, Assignment, or Transfer*. A mortgage originator that makes a loan without an appraisal under the terms of subsection (b) shall not sell, assign, or otherwise transfer legal title to the loan unless—

(1) the loan is sold, assigned, or otherwise transferred to another person by reason of the bankruptcy or failure of the mortgage originator;

(2) the loan is sold, assigned, or otherwise transferred to another person regulated by a Federal financial institutions regulatory agency, so long as the loan is retained in portfolio by the person;

(3) the sale, assignment, or transfer is pursuant to a merger of the mortgage originator with another person or the acquisition of the mortgage originator by another person or of another person by the mortgage originator; or

(4) the sale, loan, or transfer is to a wholly owned subsidiary of the mortgage originator, provided that, after the sale, assignment, or transfer, the loan is considered to be an asset of the mortgage originator for regulatory accounting purposes.

(d) *Exception*. Subsection (b) shall not apply if—

(1) a Federal financial institutions regulatory agency requires an appraisal under section 225.63(c), 323.3(c), 34.43(c), or 722.3(e) of title 12, Code of Federal Regulations; or

(2) the loan is a high-cost mortgage, as defined in section 103 of the Truth in Lending Act (15 U.S.C. 1602).

(e) *Anti-Evasion*. Each Federal financial institutions regulatory agency shall ensure that any mortgage originator that the Federal financial institutions regulatory agency oversees that makes a significant amount of loans under subsection (b) is complying with the requirements of subsection (b)(2) with respect to each loan.

Department of Housing and Urban Development Reform Act of 1989

§ 142 FHA Operations

[12 U.S.C. § 1708(g)]

(a) Appraisal standards.

(1) The Secretary shall prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with uniform standards, by individuals who have demonstrated competence and whose professional conduct is subject to effective supervision. These standards shall require at a minimum—

(A) that the appraisals of properties to be insured by the Federal Housing Administration shall be performed in accordance with generally accepted appraisal standards promulgated by the Appraisal Foundation a not-for-profit corporation established on November 30, 1987 under the laws of Illinois; and

(B) that each appraisal is a written statement used in connection with a real estate transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(2) The Appraisal Subcommittee of the Federal Financial Institutions Examination Council shall include the Secretary or his designee.

Appraisal Subcommittee

Federal Financial Institutions Examination Council

POLICY STATEMENTS

(Revised – March 2018)

Requirements and Guidance to

State Appraiser Certifying and Licensing Agencies

For Compliance with Title XI

Contents

Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).[1] The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be 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.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States[2] for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.[3] Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)[4] expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies[5] (AMCs).[6]

The ASC performs periodic Compliance Reviews[7] of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule.[8]

The ASC is issuing these revised Policy Statements[9] in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

Part A, *Appraiser Program* – Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the Appraiser Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the Appraiser Program*.

Part B, *AMC Program* – Policy Statements 8 through 10 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the AMC Program*.

Part C, *Interim Sanctions* – Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC for non-compliance in either the Appraiser Program or the AMC Program.

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[1] he ASC Board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

[2] See Appendix B, Glossary of Terms, for the definition of "State."

[3] See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

[4] Pub. L. 111-203, 124 Stat. 1376.

[5] Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

[6] See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

[7] See Appendix A, Compliance Review Process.

[8] The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. (Title XI § 1124 (a), 12 U.S.C. 3353(a)). Those rules were finalized and published on June 9, 2015, at 80 Federal Register 32658 with an effective date of August 10, 2015. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.)

[9] These Policy Statements, adopted February 14, 2018, supersede all previous Policy Statements adopted by the ASC.

PART A: APPRAISER PROGRAM

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing

State Appraiser Programs

A. State Regulatory Structure

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.[10] The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board[11] or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

B. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its Appraiser Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an Appraiser Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

C. Minimum Criteria

Title XI requires States to adopt and/or implement all relevant AQB Criteria. Requirements established by a State for certified residential or certified general appraisers, as well as requirements established for licensed appraisers, trainee appraisers and supervisory appraisers must meet or exceed applicable AQB Criteria.

D. Federally Recognized Appraiser Classifications

State Certified Appraisers

"State certified appraisers" means those individuals who have satisfied the requirements for residential or general certification in a State whose criteria for certification meet or exceed the applicable minimum AQB Criteria. Permitted scope of practice and designation for State certified residential or certified general appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

State Licensed Appraisers

"State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. The permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Trainee Appraisers

"Trainee appraisers" means those individuals who have satisfied the requirements for credentialing in a State whose criteria for

[10] Title XI § 1118 (a), 12 U.S.C. § 3347.

[11] *See* Appendix B, *Glossary of Terms,* for the definition of "State board."

credentialing meet or exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of "trainee appraiser" or "supervisory appraiser" must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as "registered appraiser," "apprentice appraiser," "provisional appraiser," or any other similar designation to determine if, in substance, such designation is consistent with a "trainee appraiser" designation and, therefore, administered to comply with Title XI. The permitted scope of practice and designation for trainee appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Any State or Federal agency may impose additional appraiser qualification requirements for trainee, State licensed, certified residential or certified general classifications, if they consider such requirements necessary to carry out their responsibilities under Federal and/or State statutes and regulations, so long as the additional qualification requirements do not preclude compliance with AQB Criteria.

E. Non-federally Recognized Credentials

States using non-federally recognized credentials or designations[12] must ensure that they are easily distinguished from the federally recognized credentials.

F. Appraisal Standards

Title XI and the Federal financial institutions regulatory agencies' regulations mandate that all appraisals performed in connection with federally related transactions be in written form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with USPAP.[13] States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

Any State or Federal agency may impose additional appraisal standards if they consider such standards necessary to carry out their responsibilities, so long as additional appraisal standards do not preclude compliance with USPAP or the Federal financial institutions regulatory agencies' appraisal regulations for work performed for federally related transactions.

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a State certified or licensed appraiser. These regulations define "appraisal" as a "written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s) supported by the presentation and analysis of relevant market information." Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal. Under these same regulations, an appraisal review that does not include the reviewer providing his or her own opinion of value does not constitute an appraisal. Therefore, under the Federal financial institutions regulatory agencies' regulations, only those transactions that involve appraisals for federally related transactions require the services of a State certified or licensed appraiser.

G. Exemptions

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.[14] A State may not exempt any individual or group of individuals from meeting the State's certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use

[12] *See* Appendix B, *Glossary of Terms*, for the definition of "non-federally recognized credentials or designations."

[13] *See* Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

[14] Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

H. ASC Staff Attendance at State Board Meetings

The efficacy of the ASC's Compliance Review process rests on the ASC's ability to obtain reliable information about all areas of a State's Appraiser Program. ASC staff regularly attends open State board meetings as part of the on-site Compliance Review process. States are expected to make available for review by ASC staff minutes of closed meetings and executive sessions. States are encouraged to allow ASC staff to attend closed and executive sessions of State board meetings where such attendance would not violate State law or regulation or be inconsistent with other legal obligations of the State board. ASC staff is obligated to protect information obtained during the Compliance Review process concerning the privacy of individuals and any confidential matters.

I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.[15]
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.[16]
3. States must have policies, practices and procedures consistent with Title XI.[17]
4. States must have funding and staffing sufficient to carry out their Title XI-related duties.[18]
5. States must use proper designations and permitted scope of practice for certified residential; certified general; licensed; and trainee classifications.[19]
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.[20]
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.[21]
8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.
9. State agencies must be granted adequate authority by the State to maintain an effective regulatory Appraiser Program in compliance with Title XI.[22]

[15] Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

[16] Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

[17] Title XI § 1118 (a), 12 U.S.C. § 3347.

[18] *Id;* Title XI § 1118 (b), 12 U.S.C. § 3347.

[19] Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

[20] Title XI § 1118 (a), 12 U.S.C. § 3347.

[21] Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

[22] Title XI § 1118 (b), 12 U.S.C. § 3347.

POLICY STATEMENT 2

Temporary Practice

A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment[23] for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for "registration" provided such process complies with Title XI and does not impose "excessive fees or burdensome requirements," as determined by the ASC.[24] Thus, a credentialed appraiser[25] from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State's real estate appraisal statutes and regulations and is subject to the Host State's full regulatory jurisdiction. States should utilize the National Registry of Appraisers to verify credential status on applicants for temporary practice.

B. Excessive Fees or Burdensome Requirements

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.[26] Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

Host State agencies must:

a. issue temporary practice permits on an assignment basis;

b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;

c. issue temporary practice permits designating the permit's effective date;

d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;

e. notify the appraiser's home State agency27 in the case of disciplinary action concerning a temporary practitioner;

f. allow at least one temporary practice permit extension through a streamlined process;

g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and

h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

Host State agencies may not:

a. limit the valid time period of a temporary practice permit to less than 6 months

(unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant's credential is no longer in active status during that period of time);

b. limit an appraiser to one temporary practice

[23] *See* Appendix B, *Glossary of Terms*, for the definition of "assignment."

[24] Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

[25] *See* Appendix B, *Glossary of Terms,* for the definition of "credentialed appraisers."

[26] Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

[27] See Appendix B, Glossary of Terms, for the definition of "home State agency."

permit per calendar year;28

c. charge a temporary practice permit fee exceeding $250, including one extension fee;

d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;

e. require temporary practitioners to obtain a certification or license in the State of temporary practice;

f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;

g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or

h. prohibit temporary practice.

Home State agencies may not:

a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or

b. fail to consider and, if appropriate, take disciplinary action when one of its certified or licensed appraisers is disciplined by another State.

C. Summary of Requirements

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.[29]
2. States must adhere to mandates, prohibitions and documentation requirements as set forth above in Section B above, titled *Excessive Fees or Burdensome Requirements*.[30]

[28] State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser’s temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

[29] Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

[30] Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

POLICY STATEMENT 3

National Registry of Appraisers (Appraiser Registry)

A. Requirements for the Appraiser Registry

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions.[31] Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC[32] from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

Roster and registry fee requirements apply to all individuals who receive State certifications or licenses, originally or by reciprocity, whether or not the individuals are, in fact, performing or planning to perform appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers, and a registry fee is due from each State in which the appraiser is certified or licensed.

Only AQB-compliant certified and licensed appraisers in active status on the Appraiser Registry are eligible to perform appraisals in connection with federally related transactions. Only those appraisers whose registry fees have been transmitted to the ASC will be eligible to be on the Appraiser Registry for the period subsequent to payment of the fee.

Some States may give State certified or licensed appraisers an option to not pay the registry fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the Appraiser Program must ensure that any potential user of that appraiser's services is aware that the appraiser is not eligible to perform appraisals for federally related transactions. The Appraiser Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the Appraiser Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the Appraiser Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's Appraiser Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the Appraiser Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the Appraiser Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the Appraiser Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's registry fee may result in the status of that appraiser being listed as "inactive." States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date). When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the Appraiser Registry, for whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

C. Access to Appraiser Registry Data

The ASC website provides free access to the public

[31] Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

[32] Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees,* requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

portion of the Appraiser Registry at www.asc.gov. The public portion of the Appraiser Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

D. Information Sharing

Information sharing (routine exchange of certain information among lenders, governmental entities, State agencies and the ASC) is essential for carrying out the purposes of Title XI. Title XI requires the ASC, any other Federal agency or instrumentality, or any federally recognized entity to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser regulation. States are encouraged to develop and maintain procedures for sharing of information among themselves.

The Appraiser Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are necessary to maintain an up-to-date Appraiser Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

States must report all disciplinary action[33] taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.[34] States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.[35] For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.[36]

Title XI also contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.

E. Summary of Requirements

1. a timely manner (45 calendar days after the invoice date).[37]
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.[38]
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.[39]
4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or

[33] *See* Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."
[34] *Id.*
[35] Title XI § 1118 (a), 12 U.S.C. § 3347.
[36] *Id.*
[37] Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.
[38] *Id.*
[39] Title XI § 1118 (a), 12 U.S.C. § 3347.

other transactions requiring the use of State certified or licensed appraisers.[40]

5. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.[41]
6. States must ensure that the authorization information provided to the ASC is updated and accurate.[42]
7. States must adopt and implement a written policy to protect the right of access to the Appraiser Registry, as well as the ASC issued User Name and Password.[43]
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.[44]
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.[45]
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.[46]

[40] *Id.*
[41] *Id.*
[42] *Id.*
[43] *Id.*
[44] *Id.*
[45] *Id.*
[46] *Id.*

POLICY STATEMENT 4

Application Process

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers (certified, licensed, trainee and supervisory). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.[47] Effective January 1, 2017, AQB Criteria also requires States to assess whether an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.

A. Processing of Applications

States must process applications in a consistent, equitable and well-documented manner. Applications for credentialing should be timely processed by State agencies (within 90 calendar days after receipt of a completed application). Any delay in the processing of applications must be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade and renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations. Documentation must include:

1. Application receipt date;
2. Education;
3. Experience;
4. Examination;
5. Continuing education; and
6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

(1) the applicant's claimed education courses are acceptable under AQB Criteria; and

(2) the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.[48] States must maintain adequate documentation to support verification of education claimed by applicants.

C. Continuing Education for Reinstatement and Renewal Applications

1. Reinstatement Applications

States must verify that:

(1) the applicant's claimed continuing education courses are acceptable under AQB Criteria; and

(2) the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

States may not accept an affidavit for continuing education claimed from applicants for reinstatement. Applicants for reinstatement must submit documentation to support claimed continuing education and States must maintain adequate documentation to support verification of claimed education.

2. Renewal Applications

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[47] Includes applications for credentialing of trainee, licensed, certified residential or certified general classifications.

[48] If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials.

States must ensure that continuing education courses for renewal of an appraiser credential are consistent with AQB Criteria and that continuing education hours required for renewal of an appraiser credential were completed consistent with AQB Criteria. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure that adheres to the following objectives and requirements:

a. Validation objectives

The State's validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

b. Minimum Standards

1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.
2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.
3) States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
5) If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.
6) If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action[49] to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.
7) In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).

[49] For example: a State may conduct an additional audit using a higher percentage of audited appraisers; or a State may publicly post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

c. Documentation

States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

d. List of Education Courses

To promote accountability, the ASC encourages States accepting affidavits for continuing education credit claimed for credential renewal to require that the appraiser provide a list of courses to support the affidavit.

D. Experience for Initial or Upgrade Applications

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.[50]

1. Validation Required

States must implement a reliable validation procedure to verify that each applicant's experience meets AQB Criteria, including but not limited to, being USPAP compliant and containing the required number of hours and months.

2. Validation Procedures, Objectives and Requirements

a. Experience Hours Validation

States must determine the hours and time period claimed on the experience log are accurate. Appraiser Program staff or State board members must select the work product to validate the experience hours claimed; applicants may not have any role in this selection process.

b. USPAP Compliance

States must analyze a representative sample of the applicant's work product for compliance with USPAP. For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.

c. Determination of Experience Time Periods

Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.

d. Supporting Documentation

States must maintain adequate documentation to support validation methods. The applicant's file, either electronic or paper, must include the information necessary to identify each appraisal assignment selected to validate the experience hours claimed and each appraisal assignment analyzed by the State for USPAP compliance, notes, letters and/or reports prepared by the official(s) evaluating the report for USPAP compliance, and any correspondence exchanged with the applicant regarding the appraisals submitted. This supporting documentation may be discarded upon the completion of the first ASC Compliance Review performed after the credential issuance or denial for that applicant.

E. Examination

States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized appraiser classifications requiring an examination.

F. Summary of Requirements

Processing of Applications

[50] *See* Policy Statement 1D and E for discussion of "federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

1. States must process applications in a consistent, equitable and well-documented manner.[51]
2. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.[52]
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.[53]

Education

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.[54]
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.[55]
3. States must maintain adequate documentation to support verification.[56]
4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.[57]
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.[58]
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.[59]
7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).[60]
8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).[61]
9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.[62]
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.[63]
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's

[51] Title XI § 1118 (a), 12 U.S.C. § 3347.
[52] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.
[53] Title XI § 1118 (a), 12 U.S.C. § 3347.
[54] *Id.*
[55] *Id.*
[56] Title XI § 1118 (a), 12 U.S.C. § 3347.
[57] *Id.*
[58] *Id.*
[59] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.
[60] Title XI § 1118 (a), 12 U.S.C. § 3347.
[61] *Id.*
[62] *Id.*
[63] *Id.*

record on the Appraiser Registry to be updated appropriately.[64]

Experience

1. States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.[65]
2. States must ensure that appraiser experience logs conform to AQB Criteria.[66]
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.[67]
4. States must select the work product to validate the experience hours claimed on all initial or upgrade applications for appraiser credentialing.[68]
5. States must analyze a representative sample of the applicant's work product for compliance with USPAP on all initial or upgrade applications for appraiser credentialing.[69]
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.[70]
7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.[71]
8. Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.[72]

Examination

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.[73]

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[64] *Id.*

[65] *Id.*

[66] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

[67] Title XI § 1118 (a), 12 U.S.C. § 3347.

[68] Title XI § 1118 (a), 12 U.S.C. § 3347.

[69] *Id.*

[70] *Id.*

[71] *Id.*

[72] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

[73] *Id.*

POLICY STATEMENT 5

Reciprocity

A. Reciprocity Policy

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. The ASC monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.[74] Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

a. the appraiser is coming from a State (Home State) that is "in compliance" with

Title XI as determined by the ASC; AND

b. (i) the appraiser holds a valid credential from the Home State; AND

(ii) the credentialing requirements of the Home State[75] meet or exceed those of the reciprocal credentialing State (Reciprocal State).[76]

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy. However, States cannot impose additional impediments to obtaining reciprocal credentials.

For purposes of implementing the reciprocity policy, States with an ASC Finding[77] of "Poor" do not satisfy the "in compliance" provision for reciprocity. Therefore, States are not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of "Poor."

B. Application of Reciprocity Policy

The following examples illustrate application of reciprocity in a manner that complies with Title XI. The examples refer to the reciprocity policy requiring issuance of a reciprocal credential IF:

a. the appraiser is coming from a State that is "in compliance"; AND

b. (i) the appraiser holds a valid credential from that State; AND

(ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

Example 1. Additional Requirements Imposed on Applicants

State A requires that prior to issuing a reciprocal credential the applicant must certify that disciplinary proceedings are not pending against that applicant in any jurisdiction. Under b (ii) above, if this requirement is not imposed on all of its own applicants for credentialing, STATE A cannot impose this requirement on applicants for reciprocal credentialing.

Example 2. Credentialing Requirements

An appraiser is seeking a reciprocal credential in STATE A. The appraiser holds a valid credential in STATE Z, even though it was issued in 2007. This satisfies b (i) above. However, in order to satisfy b (ii), STATE A would evaluate STATE Z's credentialing requirements as they currently exist to determine whether they meet or exceed STATE A's current requirements for credentialing.

Example 3. Multiple State Credentials

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a "letter of good standing" from the State of original credentialing as a condition of granting a reciprocal credential. State A

[74] Title XI § 1122 (b), 12 U.S.C. § 3351.

[75] As they exist at the time of application for reciprocal credential.

[76] *Id.*

[77] *See* Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

C. Appraiser Compliance Requirements

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.[78]

D. Well-Documented Application Files

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

E. Summary of Requirements

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State's appraisers to be eligible to perform appraisals for federally related transactions.[79]
2. States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.[80]
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.[81]

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[78] A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however, a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

[79] Title XI § 1122 (b), 12 U.S.C. § 3351.

[80] *Id.*

[81] Title XI § 1118 (a), 12 U.S.C. § 3347.

POLICY STATEMENT 6

Education

AQB Criteria sets forth minimum requirements for appraiser education courses. This Policy Statement addresses proper administration of education requirements for compliance with AQB Criteria. (For requirements concerning qualifying and continuing education in the application process, see Policy Statement 4, *Application Process*.)

A. Course Approval

States must ensure that approved appraiser education courses are consistent with AQB Criteria and maintain sufficient documentation to support that approved appraiser education courses conform to AQB Criteria.

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery. States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.

States should ensure that educational providers are afforded equal treatment in all respects.[82]

States are encouraged to accept courses approved by the AQB's Course Approval Program.

B. Distance Education

States must ensure that distance education courses meet AQB Criteria and that the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.

States may not continue to accept courses after the AQB-approved organization's approval of course design and delivery date has expired.

C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.[83]
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.[84]
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.[85]

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[82] For example: (1) consent agreements requiring additional education should not specify a particular course provider when there are other providers on the State's approved course listing offering the same course; and (2) courses from professional organizations should not be automatically approved and/or approved in a manner that is less burdensome than the State's normal approval process.

[83] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

[84] Title XI § 1118 (a), 12 U.S.C. § 3347.

[85] Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 7

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.[86]

B. Enforcement Process

States must ensure that the system for processing and investigating complaints[87] and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

1. **Timely Enforcement**

   States must process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure effective supervision of appraisers, and when appropriate, that incompetent or unethical appraisers are not allowed to continue their appraisal practice. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date.[88] Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. **Effective Enforcement**

   Effective enforcement requires that States investigate allegations of appraiser misconduct or wrongdoing, and if allegations are proven, take appropriate disciplinary or remedial action. Dismissal of an alleged violation solely due to an "absence of harm to the public" is inconsistent with Title XI. Financial loss or the lack thereof is not an element in determining whether there is a violation. The extent of such loss, however, may be a factor in determining the appropriate level of discipline.

   Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP and States must be able to document how such persons are so qualified.

   States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.

   Closure of a complaint based solely on a State's statute of limitations that results in dismissal of a complaint without the investigation of the merits of the complaint is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.[89]

3. **Consistent and Equitable Enforcement**

   Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

4. **Well-Documented Enforcement**

   States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and

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[86] Title XI § 1118 (a), 12 U.S.C. § 3347.

[87] *See* Appendix B, *Glossary of Terms*, for the definition of "complaint."

[88] The one-year period for resolution of complaints is not intended to have the impact of a statute of limitation or statute of repose.

[89] Title XI § 1117, 12 U.S.C. § 3346.

determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- demonstrate that appraisal reports are analyzed and any USPAP violations are identified and considered, whether or not they were the subject of the complaint;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings.

The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.[90]
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.[91]
3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.[92]
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.[93]
5. States must appropriately document enforcement files and include rationale.[94]
6. States must regulate, supervise and discipline their credentialed appraisers.[95]
7. Persons analyzing complaints for USPAP

[90] Title XI § 1118 (a), 12 U.S.C. § 3347.

[91] *Id.*

[92] *Id.*

[93] *Id.*

[94] *Id.*

[95] *Id.*

compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.[96]

[96] *Id.*

PART B: AMC PROGRAM

POLICY STATEMENT 8

Statutes, Regulations, Policies and Procedures Governing State AMC Programs

A. Participating States and ASC Oversight

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.[97] Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after a State elects to register and supervise AMCs pursuant to the AMC Rule. Formal ASC oversight will consist of evaluating AMC Programs in participating States during the Compliance Review process to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. Upon expiration of the statutory implementation period (see Policy Statement 11, *Statutory Implementation Period*), Compliance Reviews will include ASC oversight of AMC Programs for any participating State.

B. Relation to State Law

Participating States may establish requirements in addition to those in the AMC Rule.

Participating States may also have a more expansive definition of AMCs.[98] However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

C. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule

1. AMC Registration and Supervision

   If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC Rule for compliance requirements[99] as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

   (a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC

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[97] Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

[98] Title XI as amended by the Dodd-Frank Act defines "appraisal management company" to mean, in part, an external third party that oversees a network or panel of more than 15 appraisers (State certified or licensed) in a State, or 25 or more appraisers nationally (two or more States) within a given year. (12 U.S.C. 3350(11)). Title XI as amended by the Dodd-Frank Act also allows States to adopt requirements in addition to those in the AMC Rule. (12 U.S.C. 3353(b)). For example, States may decide to supervise entities that provide appraisal management services, but do not meet the size thresholds of the Title XI definition of AMC. If a State has a more expansive regulatory framework that covers entities that provide appraisal management services but do not meet the Title XI definition of AMC, the State should only submit information regarding AMCs meeting the Title XI definition to the AMC Registry.

[99] *See* footnote 97.

Program with the legal authority and mechanisms to:

(1) Review and approve or deny AMC initial registration applications and/or renewals for registration;

(2) Examine records of AMCs and require AMCs to submit information;

(3) Verify that appraisers on AMCs' panels hold valid State credentials;

(4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;

(5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and

(6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs[100] to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

2. Ownership Limitations for State-registered AMCs

A. Appraiser certification or licensing of Owners

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause,[101] as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. States must document to the file the State's method of review and the result.

B. Good Moral Character of Owners

An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State.

[100] "Federally regulated AMCs," meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

[101] An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. The ASC would expect written documentation of the State's method of review and the result.

3. **Requirements for Federally Regulated AMCs**

   Participating States are not required to identify Federally regulated AMCs[102] operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

   A Federally regulated AMC shall not be included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

E. Summary of Requirements

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.[103]
2. Participating States must impose requirements on AMCs consistent with the AMC Rule.[104]
3. Participating States must enforce and document ownership limitations for State-registered AMCs.[105]
4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive definition of AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.[106]
5. States must have funding and staffing sufficient to carry out their Title XI-related duties. [107]

[102] *See* footnote 97.

[103] 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

[104] *Id.*

[105] *Id.*

[106] Title XI § 1118 (b), 12 U.S.C. § 3347.

[107] *Id.*

POLICY STATEMENT 9

National Registry of AMCs (AMC Registry)

A. Requirements for the AMC Registry

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.[108] Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC[109] from AMCs that are either registered with a participating State or are Federally regulated AMCs.[110]

As with appraiser registry fees, Title XI, § 1109(a)(4)(b) requires the AMC registry fee to be collected by each participating State and transmitted to the ASC. Therefore, as with appraisers, an AMC will pay a registry fee in each participating State in which the AMC operates. As with appraisers, an AMC operating in multiple participating States will pay a registry fee in multiple States in order to be on the AMC Registry for each State.

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State. The ASC extranet application allows States to update their AMC information directly to the AMC Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-years, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

C. Reporting Requirements

State agencies must report all disciplinary action[111] taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to "inactive." A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC's policies regarding the determination of the AMC registry fee.

D. Access to AMC Registry Data

The ASC website provides free access to the public portion of the AMC Registry at www.asc.gov. The public portion of the AMC Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password.

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days

[108] Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

[109] Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

[110] Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.

[111] *See* Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

after receipt of the invoice).[112]

2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.[113]
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.[114]
4. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMC's ability to provide appraisal management services), the AMC's status must be changed on the AMC Registry to "inactive."[115]
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf. [116]
7. States must adopt and implement a written policy to protect the right of access to the AMC Registry, as well as the ASC issued User Name and Password.[117]
8. States must ensure the accuracy of all data submitted to the AMC Registry.[118]

[112] Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.
[113] Title XI § 1118 (a), 12 U.S.C. § 3347.
[114] *Id.*
[115] *Id.*
[116] *Id.*
[117] *Id.*
[118] *Id.*

POLICY STATEMENT 10

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.[119]

B. Enforcement Process

States must ensure that the system for processing and investigating complaints[120] and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented[121] manner.

1. **Timely Enforcement**

   States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. **Effective Enforcement**

   Effective enforcement requires that States investigate complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

3. **Consistent and Equitable Enforcement**

   Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

4. **Well-Documented Enforcement**

   States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

   a. Complaint Files

      Complaint files must:

      - include documentation outlining the progress of the investigation;
      - include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
      - include documentation explaining any delay in processing, investigation or adjudication;
      - contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
      - be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

   b. Complaint Logs

[119] Title XI § 1118 (a), 12 U.S.C. § 3347.

[120] *See* Appendix B, *Glossary of Terms*, for the definition of "complaint."

[121] *See* Appendix B, *Glossary of Terms*, for the definition of "well-documented."

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (e.g., consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (e.g., final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (e.g., dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.[122]
2. States must resolve all complaints filed against AMCs within one year (12 months) of the complaint filing date, except for special documented circumstances.[123]
3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.[124]
4. States must track complaints of alleged AMC misconduct or wrongdoing using a complaint log.[125]
5. States must appropriately document enforcement files and include rationale.[126]

[122] Title XI § 1118 (a), 12 U.S.C. § 3347.

[123] *Id.*

[124] *Id.*

[125] *Id.*

[126] *Id.*

POLICY STATEMENT 11

Statutory Implementation Period

Title XI and the AMC Rule set forth the statutory implementation period.[127] The AMC Rule was effective on August 10, 2015. As of 36 months from that date (August 10, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. Appraisal management services may still be provided for federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.[128]

[127] Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

[128] Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

PART C: INTERIM SANCTIONS

POLICY STATEMENT 12

Interim Sanctions

A. Authority

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.[129] The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.[130] In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report[131] issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

1. written notice of intention to impose an interim sanction; and
2. opportunity to respond or to correct the conditions causing such notice to the State.

Notice and opportunity to respond or correct the conditions shall be in accordance with section C, *Procedures*.

C. Procedures

This section prescribes the ASC's procedures which will be followed in arriving at a decision by the ASC to impose an interim sanction against a State agency.

1. Notice

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the registration of AMCs, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and AMCs, the investigation of complaints, and enforcement actions against appraisers and AMCs.[132] The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the *Federal Register*.

2. State Agency Response

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions. Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

3. Briefs, Memoranda and Statements

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State agency may file with the ASC's Executive Director a written brief, memorandum or other statement providing factual data and policy and legal arguments regarding the matters set out in the Notice and analysis.

4. Oral Presentations to the ASC

Within 45 days after the date of receipt by the

[129] Title XI § 1118 (a), 12 U.S.C. § 3347.

[130] *Id.*

[131] *See Appendix A – Compliance Review Process.*

[132] Title XI § 1118 (a), 12 U.S.C. § 3347.

State agency of the Notice as published in the *Federal Register*, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting[133] of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

5. Conduct of Interim Sanction Proceedings

(a) Written Submissions

All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

(b) Disqualification

An ASC member who deems himself or herself disqualified may at any time withdraw. Upon receipt of a timely and sufficient affidavit of personal bias or disqualification of such member, the ASC will rule on the matter as a part of the record.

(c) Authority of ASC Chairperson

The Chairperson of the ASC, in consultation with other members of the ASC whenever appropriate, shall have complete charge of the proceeding and shall have the duty to conduct it in a fair and impartial manner and to take all necessary action to avoid delay in the disposition of proceedings.

(d) Rules of Evidence

Except as is otherwise set forth in this section, relevant material and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act (5 U.S.C. §§ 551-559) and other applicable law.

6. Decision of the ASC and Judicial Review

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

7. Computing Time

Time computation is based on business days. The date of the act, event or default from which the designated period of time begins to run is not included. The last day is included unless it is a Saturday, Sunday, or Federal holiday, in which case the period runs until the end of the next day which is not a Saturday, Sunday or Federal holiday.

8. Documents and Exhibits

Unless otherwise provided by statute, all documents, papers and exhibits filed in connection with any proceeding, other than those that may be withheld from disclosure under applicable law, shall be placed by the ASC's Executive Director in the proceeding's file and will be available for public inspection and copying.

9. Judicial Review

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.[134]

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[133] The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC – to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

[134] 5 U.S.C. § 703 - *Form and venue of proceeding.*

APPENDICES

Appendix A – Compliance Review Process

The ASC monitors State Appraiser and AMC Programs for compliance with Title XI. The monitoring of State Programs is largely accomplished through on-site visits known as a Compliance Review (Review). A Review is conducted over a two- to four-day period, and is scheduled to coincide with a meeting of the Program's decision-making body whenever possible. ASC staff reviews the Appraiser Program and the seven compliance areas addressed in Policy Statements 1 through 7. ASC staff reviews a participating State's AMC Program and the three compliance areas addressed in Policy Statements 8 through 10. Sufficient documentation demonstrating compliance must be maintained by a State and made available for inspection during the Review. ASC staff reviews a sampling of documentation in each of the compliance areas. The sampling is intended to be representative of a State Program in its entirety.

Based on the Review, ASC staff provides the State with an ASC staff report for the Appraiser Program, and if applicable, an ASC staff report for the AMC Program, detailing preliminary findings. The State is given 60 days to respond to the ASC staff report(s). At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State for the Appraiser Program, and if applicable, a Report is also issued for the AMC Program, with the ASC Finding on each Program's overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the compliance areas are cited in the Report. "Areas of Concern" which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC's final disposition is based upon the ASC staff report, the State's response and staff's recommendation.

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC FINDING	RATING CRITERIA	REVIEW CYCLE (PROGRAM HISTORY OR NATURE OF DEFICIENCY MAY WARRANT A MORE ACCELERATED REVIEW CYCLE.)
Excellent	• State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure	Two-year
Good	• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure	Two-year
Needs Improvement	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure	Two-year with additional monitoring
Not Satisfactory	• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure	One-year
Poor[135]	• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure	Continuous monitoring

[135] An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 12, *Interim Sanctions*.

The ASC has two primary Review Cycles: two-year and one-year. Most States are scheduled on a two-year Review Cycle. States may be moved to a one-year Review Cycle if the ASC determines more frequent on-site Reviews are needed to ensure that the State maintains an effective Program. Generally, States are placed on a one-year Review Cycle because of non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Both two-year and one-year Review Cycles include a review of all aspects of the State's Program.

The ASC may conduct Follow-up Reviews and additional monitoring. A Follow-up Review focuses only on specific areas identified during the previous on-site Review. Follow-up Reviews usually occur within 6-12 months of the previous Review. In addition, as a risk management tool, ASC staff identifies State Programs that may have a significant impact on the nation's appraiser regulatory system in the event of Title XI compliance issues. For States that represent a significant percentage of the credentials on the Appraiser Registry, ASC staff performs annual on-site Priority Contact visits. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. This is not a complete Review of the Program. The ASC will also schedule a Priority Contact visit for a State when a specific concern is identified that requires special attention. Additional monitoring may be required where a deficiency is identified and reports on required or agreed upon corrective actions are required monthly or quarterly. Additional monitoring may include on-site monitoring as well as off-site monitoring.

Appendix B – Glossary of Terms

Appraisal management company (AMC): Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

AQB Criteria: Refers to the *Real Property Appraiser Qualification Criteria* as established by the Appraiser Qualifications Board of the Appraisal Foundation setting forth minimum education, experience and examination requirements for the licensure and certification of real property appraisers, and minimum requirements for "Trainee" and "Supervisory" appraisers.

Assignment: As referenced herein, for purposes of temporary practice, "assignment" means one or more real estate appraisals and written appraisal report(s) covered by a single contractual agreement.

Complaint: As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser or appraiser applicant, for allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

Credentialed appraisers: Refers to State licensed, certified residential or certified general appraiser classifications.

Disciplinary action: As referenced herein, corrective or punitive action taken by or on behalf of a State agency which may be formal or informal, or may be consensual or involuntary, resulting in any of the following:

a. revocation of credential or registration

b. suspension of credential or registration

c. written consent agreements, orders or reprimands

d. probation or any other restriction on the use of a credential

e. fine

f. voluntary surrender136

g. other acts as defined by State statute or regulation as disciplinary

With the exception of voluntary surrender, suspension or revocation, such action may be exempt from reporting to the National Registry if defined by State statute, regulation or written policy as "non-disciplinary."

Federally related transaction: Refers to any real estate related financial transaction which:

a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and

b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

Federal financial institutions regulatory agencies: Refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration. (*See* Title XI § 1121 (6), 12 U.S.C. § 3350.)

Home State agency: As referenced herein, State agency or agencies that grant an appraiser a licensed or certified credential. Residency in the home State is not required. Appraisers may have

[136] A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual's Appraiser Registry record is updated to show the credential is inactive.

more than one home State agency.

Non- federally recognized credentials or designations: Refers to any State appraiser credential or designation other than trainee, State licensed, certified residential or certified general classifications as defined in Policy Statement 1, and which is not recognized by Title XI.

Real estate related financial transaction: Any transaction involving:

a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

b) the refinancing of real property or interests in real property; and

c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(*See* Title XI § 1121 (5), 12 U.S.C. 3350.)

State: Any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands. (American Samoa does not have a Program.)

State board: As referenced herein, "State board" means a group of individuals (usually appraisers, AMC representatives, bankers, consumers, and/or real estate professionals) appointed by the Governor or a similarly positioned State official to assist or oversee State Programs. A State agency may be headed by a board, commission or an individual.

Uniform Standards of Professional Appraisal Practice (USPAP): Refers to appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation establishing minimum requirements for development and reporting of appraisals, including real property appraisal. Title XI requires appraisals prepared by State certified and licensed appraisers to be performed in conformance with USPAP.

Well-documented: Means that States obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

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