

APPRAISAL SUBCOMMITTEE
Federal Financial Institutions Examination Council

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An Introduction

The Appraisal Subcommittee

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." (See Appendix B, Statutory References.)

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 inter-agency body empowered to set uniform principles for the examination of federally regulated financial institutions.

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) which includes amendments to Title XI. These statutory amendments expanded the ASC's general responsibilities.

¹ 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.

As amended, Title XI directs the ASC to:

- 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 Corporation³] 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;
- maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;

² The Dodd-Frank Act authorizes the ASC to take action in the case of non-compliance. The ASC will address its authority to monitor States' registration and supervision of appraisal management companies consistent with the provisions in the Dodd-Frank Act.

³ The Resolution Trust Corporation was dissolved in 1995.

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

Members

The ASC has seven members, each designated respectively by the heads of the:

- Office of the Comptroller of the Currency (OCC);
- Board of Governors of the Federal Reserve System (FRB);
- Federal Deposit Insurance Corporation (FDIC);
- Office of Thrift Supervision (OTS);
- National Credit Union Administration (NCUA);
- Federal Housing Finance Agency (FHFA)*; and
- U.S. Department of Housing and Urban Development (HUD).

*Note: The Dodd-Frank Act added the FHFA and the Bureau of Consumer Financial Protection (CFPB) as member agencies with representation on the ASC. The FHFA designated its representative to the ASC, effective November 2010. OTS transfers the majority of its functions to the OCC and certain functions to other federal banking regulatory agencies as of July 21, 2011, and the OTS will be abolished 90 days after the transfer date.

Message from the Chairman

In 2010, the national program of appraiser regulation envisioned by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Title XI) marked its twenty-first year of operation, with Federal and State appraiser regulatory programs (State Programs) working to fulfill Title XI purposes. Overall, all States have laws in place requiring persons seeking to become certified appraisers to meet at least the minimum criteria established by the Appraiser Qualifications Board (AQB) and to pass a national AQB-approved examination. Forty-eight States have adopted laws that require persons to meet at least the minimum AQB Criteria when seeking to become a licensed appraiser. Moreover, all States have laws requiring certified and licensed appraisers to conform to the *Uniform Standards of Professional Appraisal Practice* (USPAP), as adopted by the Appraisal Standards Board (ASB), when performing appraisals in connection with federally related transactions.

I am pleased to report that the ASC continued its high level of performance and productivity throughout 2010. The ASC advanced its mission of overseeing the functions of the State Programs and the Appraisal Foundation and its boards—the AQB, ASB, and the Appraisal Practices Board (APB). In 2010, as in prior years, the ASC provided grant funds for certain Title XI-related activities of the Appraisal Foundation, the AQB and ASB. The ASC also maintained its commitment to promoting communications with interested stakeholders and, to this end, implemented several enhancements to the ASC website in 2010 and participated in industry conferences and forums.

The 2010 Annual Report presents an overview of the ASC's accomplishments during the past year, including activities related to the implementation of the Dodd-Frank Act. The report also reflects the results of the ASC monitoring of State Programs and the activities of the Appraisal Foundation.

With the enactment of the Dodd-Frank Act, Title XI was amended in ways that expand the ASC's mission and authority and provide additional tools for the ASC in carrying-out its supervisory responsibilities. The ASC is committed to implementing the requirements of the

Dodd-Frank Act through an effective and transparent process. The legislation contains several provisions related to the ASC's operations, mission, and responsibilities. The most significant provisions address:

- the addition of the FHFA and Consumer Financial Protection Bureau (Bureau) as federal agencies with representation on the Appraisal Subcommittee;
- new authority to monitor States' regulation of appraisal management companies;
- new rulemaking authority with regard to (1) temporary practice, (2) National Registry, (3) information sharing, and (4) enforcement;
- new authority to provide grants to the State Programs;
- new requirement for States to have a policy for issuing a reciprocal certification or license to an appraiser from another State under certain conditions;
- new requirement for States with an appraiser licensed level category to adopt and implement the minimum qualification criteria issued by the AQB;
- minimum qualification requirements established by a State for individuals in the position of "Trainee Appraiser" and "Supervisory Appraiser;" and
- the establishment of a National Appraiser Complaint Hotline.

To implement several of these statutory provisions, States will need to revise their Programs and may need to adopt legislation or regulations. In 2010, the ASC took the following actions, consistent with Title XI, as amended by the Dodd-Frank Act:

- *ASC Meetings:* In October 2010, the ASC approved amendments to its Rules of Operation to implement formal open meeting requirements in the legislation. Through the ASC's website and publication in the Federal Register, the public receives advance notice of

the ASC's monthly board meetings and may attend the open session with advance notification. [Note: Several years ago, the ASC changed its rules to conduct a portion of its monthly meetings in open session for the public.]

- *ASC Membership:* In November 2010, the FHFA designated a representative to the ASC. The FHFA sent personnel to observe ASC meetings in advance of formally designating a representative.
- *Modification to the ASC National Registry Fee.* On October 13, 2010, the ASC approved an increase in the annual National Registry fee from \$25 to \$40 to support its supervisory activities, including additional authority under the Dodd-Frank Act.¹ Appraisers pay the fee to be included on the National Registry. Through the National Registry, state and federal regulators, lenders, and consumers can determine whether an appraiser holds the appropriate credential and remains in good standing with the State. The fee increase takes effect January 1, 2012.

In addition to addressing the Dodd-Frank Act mandates, an integral part of the ASC's mission is to monitor and assess State Programs. Through the State Compliance Review process, ASC Policy Managers assess the State Programs for compliance with Title XI, ASC Policy Statements, and certification and licensing criteria established by the AQB. In 2010, the ASC completed 26 Compliance Reviews and eight Follow-up Reviews. In addition, ASC staff conducted six State Priority Contact Reviews which are scheduled on an as-needed basis. The Priority Contact Reviews provide ASC staff the opportunity to visit with States that could pose a relatively high risk to the appraisal regulatory system, such as States with large populations of appraisers, States with major changes to the program leadership, or significant supervisory concerns.

In 2009, the ASC adopted enhancements to its Compliance Review process to include consideration of a State's

response to the ASC staff preliminary review findings in final disposition of the Compliance Review. Through the process, the ASC issues a final Compliance Review Report that may include recommended corrective actions and requirements to be addressed by the State. Between Compliance Reviews, ASC staff performs off-site monitoring to assess a State's effort to implement corrective actions or requirements. For information on the findings of the ASC Compliance Reviews performed in 2010, see Appendix C, 2010 Annual Compliance Review Findings.

In an effort to assist and promote training opportunities for the States, the ASC partnered with the Appraisal Foundation and the Association of Appraiser Regulatory Officials to host a joint conference in October 2010. During the conference, a video was made of a "mock hearing" depicting part of a typical State administrative hearing. A USPAP Update presentation also was videotaped. Both videos are now available on the Appraisal Foundation's website as an education tool for State Programs and were made possible through funding provided by the ASC. Combining the efforts of all three organizations led to a highly informative conference agenda and a renewed sense of partnership that is important for promoting an effective appraisal regulatory system.

In 2010, through a grant from the ASC, the Appraisal Foundation was able to continue offering investigator training courses to State investigators, board members, and legal and administrative staff members. The training was developed jointly by the Appraisal Foundation, the States, and the ASC, and has filled a void for States that would not otherwise have access to the professional development opportunity.

In conclusion, the ASC will continue to work diligently to fulfill its mission and work with the States, federal agencies, and the Appraisal Foundation.

¹ See 75 *Federal Register* 65629 (October 26, 2010).

Appraisal Subcommittee

Member Representatives

The Appraisal Subcommittee is made up of seven individuals appointed by and representing the heads of the federal financial institutions regulatory agencies, FHFA and HUD. Title XI requires the FFIEC to appoint a chairperson from the member representatives to serve a two-year term.

Deborah Merkle, Chairman, 2010, Senior Project Manager, Credit Risk, Office of Thrift Supervision, and member from December 2004 to present (Alternate Member, William J. Magrini).

Virginia M. Gibbs, Vice Chairman, 2010, Senior Supervisory Financial Analyst, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, November 1992 to present.

Steven D. Fritts, Member, Associate Director, Risk Management Policy, Division of Supervision and Consumer Protection, Federal Deposit Insurance Corporation, October 2002 to present (Alternate Member, Beverlea S. Gardner).

Robert L. Parson, Member, Appraisal Policy Specialist, Credit and Market Risk Division, Office of the Comptroller of the Currency, April 2009 to present (Alternate Member, Doreen Ledbetter).

John Kutchey, Member, Deputy Director, Office of Examination and Insurance, National Credit Union Administration, March 2009 to May 2010 (Alternate Member, Joy Lee).

Robert C. Leonard, Member, Program Officer, Office of Examination and Insurance, National Credit Union Administration, May 2010 to August 2010 (Alternate Member, Timothy C. Segerson).

Vincent H. Vieten, Member, Program Officer, Member Business Loans, Office of Examination and Insurance, National Credit Union Administration, September 2010 to present (Alternate Member, Timothy C. Segerson).

Peter Gillispie, Member, Appraiser and Housing Program Policy Specialist, Office of Single Family Program Development, HUD, August 2008 to present (Alternate Member, Donna Tomposki).

Gregory Garner, Member, Examinations Manager, Federal Housing Finance Agency, November 2010 to present (Alternate Member, Stephen Fifer).

Administration of the Appraisal Subcommittee

Staff Listing

James R. Park, Executive Director

Denise E. Graves, Deputy Executive Director

Alice M. Ritter, General Counsel

Vicki A. Ledbetter-Metcalf, Appraisal Policy Manager

Jenny Howard Tidwell, Appraisal Policy Manager

Kristi A. Klamet, Regulatory Policy Manager

Neal R. Fenochietti, Regulatory Policy Manager

Lori L. Schuster, Administrative Officer

Claire M. Brooks, Administrative Officer

Ray M. Seward, Information Management Specialist

ASC Meeting Procedures

The Subcommittee holds monthly meetings. Instructions on how to submit a request to attend the public portion of a meeting are available on the ASC website. The meeting agenda is posted in the Federal Register and on the website approximately seven days prior to the scheduled meeting. Following passage of the Dodd-Frank Act, the ASC began holding its meetings in conformance with Section 1104(b) of Title XI which instructs the ASC to “meet in public session after notice in the Federal Register, but [the ASC] may close certain portions of these meetings related to personnel and review of preliminary State audit reports.”

State Appraiser Regulatory Program Oversight

The ASC monitors each State's Program for compliance with Title XI, AQB *Real Property Appraiser Qualification Criteria* (AQB Criteria) and ASC Policy Statements. The ASC's Compliance Review of the State Programs focuses on three key components of Title XI:

(1) implementation and enforcement of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the AQB Criteria; (2) adequacy of the State's statutory or regulatory authority, funding and staffing to successfully carry out Title XI-related functions; and (3) consistency with Title XI in the decisions of the State Programs. Monitoring State Programs is largely accomplished through the on-site visits to the States.

Over the past three years, the ASC has increased communication (both formal and informal) with the States, allowing the ASC to address issues in State Programs before they become critical. The ASC performs an on-site Compliance Review of each State at least once every two years.

For States that represent a significant percentage of the credentials on the National Registry, the ASC staff performs annual on-site reviews. The following 8 States collectively represent over 50% of the appraiser credentials on the National Registry and are reviewed on an annual basis: California, Colorado, Florida, Georgia, Illinois, New York, Texas, and Virginia (listed alphabetically).

The ASC also will schedule a Priority Contact Review for a particular State when a specific concern is identified that requires special attention by ASC staff.

In 2010, the ASC policy managers conducted 34 on-site visits; 26 of those were full Compliance Reviews (see Appendix C, 2010 Annual Compliance Review Findings). States face significant challenges given the current financial environment, which has placed a strain on several States' resources. During a Compliance Review, ASC staff gathers data regarding fees paid by appraisers and how those fees are utilized by the Program.

Compliance Review Program

2010 marked the second full year the ASC conducted State reviews under the revised ASC Compliance Review process. The new process provides the States with an opportunity to review the ASC staff's Preliminary Findings, ask for clarifications and provide their response to the ASC prior to a final determination of compliance. Compliance Reviews are scheduled to coincide with a meeting of the Program's decision-making body whenever possible, and are conducted over a two- to four-day period. Compliance Reviews consist of assessing the State Programs for compliance with Title XI, ASC Policy Statements, and the AQB Criteria. At the conclusion of the Compliance Review, State Programs are found to be either: (1) in substantial compliance; (2) not in substantial compliance; or (3) not in compliance.

Once ASC staff completes their Preliminary Findings, which are communicated in an ASC staff report to the State, the State is given 60 days to respond. The ASC staff then considers the State's response(s) and makes formal recommendations to the ASC for final disposition. The ASC considers the ASC staff report and recommendations along with responses from the State Program before

rendering a decision. The ASC issues a final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the 2010 Annual Compliance Review Findings table (Appendix C). Timeliness of the investigation and resolution of complaints against appraisers continues to be the most common area of non-compliance for the States.

Policy Statements

The ASC periodically issues Policy Statements to assist the States in understanding the ASC's expectations for State Programs. The Policy Statements reflect the general framework that the ASC uses in the Compliance Review process. No substantive changes were made to the Policy Statements in 2010. Any future revisions to the Policy Statements would be considered in light of the ASC's new rulemaking authority as established by the Dodd-Frank Act.

Appraisal Foundation Monitoring and Oversight

The ASC monitors the Appraisal Foundation including two of its boards, the AQB and the ASB, which serve as the congressionally authorized source of appraiser qualifications and appraisal standards. In monitoring the Foundation's Title XI-related activities, ASC staff attends AQB, ASB, and Foundation Board of Trustees meetings. ASC staff also reviews and comments on proposed and final published documents regarding the AQB Criteria and USPAP.

In 2010, the Appraisal Foundation formally established the Appraisal Practices Board (APB). The APB is not funded by ASC grants. APB meetings are attended by ASC staff as part of their responsibility to monitor activities of the Appraisal Foundation.

ASC Grants

Title XI requires the ASC "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 the Appraisal Standards and Appraiser Qualifications Boards." The Appraisal Foundation submits an annual grant request to the ASC for Title XI-related activities of the ASB and AQB. The ASC provided approximately \$1.28 million in grant funding

to the Foundation in fiscal year (FY) 2010. Based on the approved annual grant, the ASC reviews and approves the Appraisal Foundation's monthly grant reimbursement requests. The monthly grant reimbursement requests include detailed information regarding Appraisal Foundation work product, meetings, and operational issues. Since 2009, the ASC has been providing the Foundation grant funds for the development, presentation, and hosting of State Investigator Training Courses. The course was developed and sponsored by the Foundation and the Association of Appraiser Regulatory Officials. During 2010, the course was offered in four locations across the country. Attendance at these courses included 49 of the 55 States, and over 160 State investigators, board members, attorneys and board staff participated. The grant funds paid for attendees' materials, lodging, and travel expenses for at least three individuals from each State. The course is intended to promote more effective complaint investigation and resolution by establishing training for State investigators. The training covers topics such as USPAP and proper investigative techniques, and provides resources to aid the States in their investigative processing of complaints against appraisers. Due to the positive feedback from the States, the ASC approved funding for additional investigator courses for 2011.

National Registry

As required by Title XI, the ASC maintains a National Registry (Registry) of all certified and most licensed appraisers in the United States. At year-end, the Registry contained over 110,000 appraiser credentials (this does not represent individual appraisers since some appraisers have credentials from multiple States), down approximately 5% from the 116,000 entries at the end of 2009, and down approximately 9.5% from the peak of over 121,000 in 2007. (See Appendix D, National Appraiser Credential License and Certification Statistics.) The Registry is accessible at the ASC's website (<https://www.asc.gov>), and is used by appraisers, Federal and State agencies, regulated financial institutions, users of appraisal services, and consumers. The Registry allows users to determine whether a person 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 a person's credential has been suspended, revoked, or surrendered in lieu of State enforcement action.

By making this information publicly available, the Registry facilitates temporary practice and reciprocity among States and assists State Programs in enforcing their appraiser-related statutes and regulations. Further, financial institutions and other users are able to use the Registry in other ways, such as:

- Receiving automatic notifications by daily email about new revocations, suspensions, surrenders, and certification/license expirations from the ASC;

- Downloading all releasable information or parts of the Registry into predefined queries and user-customized queries; and
- Verifying the status of a credentialed appraiser.

The Registry also contains non-public data (such as certain disciplinary action information). Access to non-public data is restricted to authorized State and Federal agency representatives. Use of the Registry is free to the public.

In March 2010, the ASC released a newly upgraded Registry allowing States to submit data to the ASC directly from their credential tracking applications. The intent of the upgrades was to reduce the burden and costs for States in the processing of data submissions to the Registry.

The Registry has the ability to retain and display an active history of each appraiser, credential(s) held, and reported disciplinary actions. The ASC has also implemented a validation routine for the data before it is submitted to the Registry.

The Registry is one of several features of the ASC's website (www.asc.gov). The public can read and download ASC correspondence, Title XI, ASC Policy Statements, charts summarizing State appraiser requirements, and State agency contact information. In addition, the website has a comprehensive Freedom of Information Act "reading room" that is updated regularly and conforms to the Electronic Freedom of Information Act Amendments of 1996, 5 U.S.C 552(a)(2).

Activities of the Agencies and HUD

Following Title XI's adoption in 1989, each federal financial institutions regulatory agency (agency) and HUD adopted appraisal-related rules and policies implementing Title XI. The agencies' appraisal regulations are in volume 12 of the Code of Federal Regulations at: part 34, subpart C (OCC); part 208 subpart E, and part 225, subpart G (FRB); part 323 (FDIC); part 564 (OTS); and part 722 (NCUA). HUD's appraisal regulations are in volume 24 of the Code of Federal Regulations at part 200.200 through 200.206.

In December, the FRB, FDIC, NCUA, OCC, and OTS jointly issued the revised *Interagency Appraisal and Evaluation Guidelines* that replace the *1994 Interagency Appraisal and Evaluation Guidelines*.¹ The agencies considered the public comments received on the November 2008 proposal to revise the 1994 guidelines. The new guidelines clarify the agencies' long standing expectations for an institution's real estate appraisal and evaluation program and retain the core principles of the 1994 guidelines. Further, the new guidelines address the agencies' expectations for an institution's collateral valuation function, considering recent changes in appraisal practices and technologies. The new material in the 2010 guidelines is based largely on guidance documents that the agencies have issued over the past several years regarding independence in the appraisal and evaluation functions, appraisals for residential tract development lending, and revisions to USPAP. There is also an expanded discussion on the conditions under which a federally regulated financial institution's real estate-related transactions might be exempted from the agencies' appraisal regulations.

On October 18, 2010, the Federal Reserve Board approved for public comment an interim final rule amending Regulation Z (Truth in Lending).² The interim final rule implements Section 129E of the Truth in Lending Act (TILA), which was enacted on July 21, 2010, as Section 1472 of the Dodd-Frank Act. TILA Section 129E establishes new requirements for appraisal independence for consumer credit transactions secured by the consumer's principal dwelling. The amendments are designed to ensure that real estate appraisals used to support credi-

tors' underwriting decisions are based on the appraiser's independent professional judgment, free of any influence or pressure that may be exerted by parties that have an interest in the transaction. The amendments also seek to ensure that creditors and their agents pay customary and reasonable fees to appraisers. The Board sought comment on all aspects of the interim final rule, which were due by December 27, 2010. Compliance is mandatory for residential mortgage applications received by creditors on or after April 1, 2011.

On October 15, 2010, FHFA's regulated entities in conservatorship, Fannie Mae and Freddie Mac, issued the Appraisal Independence Requirements (AIR) to address the problem of appraisal bias and conflicts of interest for loans they purchase. The goal of the AIR is to protect appraiser independence and to eliminate conflicts of interest in the appraisal function. By eliminating conflicts of interest in the appraisal function, the AIR protects home buyers, mortgage investors and the housing market from appraisal bias. The AIR continues the core principles of appraisal independence found previously in the Home Valuation Code of Conduct which was retired upon the release of the Interim Final Rules on Appraisal Independence by the Federal Reserve Board.

The Federal Housing Administration (FHA) insured-mortgage programs of HUD require an appraisal, which must also include an assessment of the property's condition to estimate the market value of the collateral securing the loan. The appraisal also assists in the determination of the marketability of the property and the maximum mortgage amount of an FHA-insured mortgage. Only appraisers on the FHA Appraiser Roster are eligible to perform the appraisal and must hold, at minimum, a residential appraiser certification from the State where the property is located. Lenders participating in FHA programs must accept equal responsibility with appraisers for the integrity, credibility, and accuracy of appraisals.

In 2010, HUD released the following policy statements addressing appraisal and property eligibility issues related to 1- to 4-unit single family properties:

¹ See 75 *Federal Register* 77450 (December 10, 2010).

² See 75 *Federal Register* 66554 (October 28, 2010).

Mortgage Letter 2010-13—Appraisal Update and/or Completion Report

This Mortgage Letter, released March 31, 2010, provided additional guidance to that contained in Mortgage Letter 2009-51, which adopted the Appraisal Update Form and /or Completion Report Form. Specifically, in the interest of collateral risk management and to ensure compliance with USPAP, FHA took the following action:

1. added two prohibitions on the use of the Appraisal Update Report (original appraisal report can only be updated one time with the Update Form and may not be used when ordered by a lender who is not identified as an intended user in the original report unless the appraiser incorporates the original report by attachment rather than by reference);
2. required the use of the Market Conditions Form in conjunction with the Appraisal Update Form; and
3. further defined validity periods for appraisals with and without an Appraisal Update Report.

Mortgage Letter 2010-15—FHA Case Number and FHA Roster Appraiser Assignments

This mortgage letter, released April 20, 2010, provides guidance on ordering FHA case numbers and selecting FHA Roster appraisers in FHA Connection (which provides lenders and business partners with direct, secure, online access to HUD computer systems).

Mortgage Letter 2010-43—Flood Zone Requirements for FHA insured mortgages

This mortgage letter provided new guidance on FHA flood zone requirements by:

1. requiring lenders to obtain life of loan flood zone determination services for all properties that will be collateral for FHA-insured mortgages; and
2. prohibiting any property located within a designated Coastal Barrier Resource System (CBRS) from acceptability as collateral for a FHA-insured loan.

Also, in 2010, FHA continued its comprehensive update of the appraisal review process. The Appraisal Review Techniques document was released in August 2010 and provides tips and techniques to assist FHA desk reviewers in performing more comprehensive desk reviews and helps to ensure that actions and sanctions resulting from a desk review are more effective and consistent with industry standards. Further improvements were made to the risk-based targeting of appraisers resulting in greater percentages of desk reviews of appraisers who performed appraisals for purposes of FHA-insured financing. In October of 2010, FHA published the first issue of the FHA Appraiser, a newsletter which focuses on the fundamentals of FHA appraisal reporting requirements as well as reaches out to appraisers and other industry partners to learn how topical issues affect their FHA business. The newsletter is published on a quarterly basis and is posted on the FHA Roster Appraiser webpage which provides links to pertinent FHA appraisal policy guidance, FAQs, training events and related industry topics and news. Additionally in 2010, FHA, in conjunction with a contractor, developed the Appraiser Dashboard, a risk management tool which allows for performance monitoring and measurement of risk metrics for FHA Roster appraisers and the appraisals. Finally in 2010, FHA issued a Request for Proposal and granted a significant contract to develop/acquire risk and fraud detection tools to be used in conjunction with FHA appraisal oversight going forward.

Activities of the Appraisal Foundation

The Appraisal Foundation is a private, not-for-profit corporation which was recognized by Title XI as the source of generally accepted appraisal standards for federally related transactions and minimum certification and licensing requirements for real estate appraisers engaged to perform appraisals for federally related transactions. The Appraisal Standards Board (ASB) of the Appraisal Foundation promulgates and maintains the *Uniform Standards of Professional Appraisal Practice* (USPAP). The Appraiser Qualifications Board (AQB) of the Appraisal Foundation establishes minimum qualification criteria for State certified and State licensed appraisers, as well as for “Trainee Appraisers” and “Supervisory Appraisers” where such credentials exist.

In 2010, the Appraisal Foundation Board of Trustees formally established a third independent Board, the Appraisal Practices Board (APB). The APB is responsible for issuing voluntary timely guidance to appraisers, appraiser regulators and educators on emerging valuation issues that are occurring in the marketplace. The APB will identify issues and provide guidance for appraisers and users of appraisal services on specific topics. The APB held its first meeting in July 2010.

The Foundation ensures that USPAP and the AQB *Real Property Appraiser Qualification Criteria* (AQB Criteria) are disseminated to State and Federal regulators, appraisers, users of appraisal services, and the general public. The Foundation sells printed copies of USPAP upon request and provides copies of the AQB Criteria at no charge. This information also can be accessed at no charge on the Foundation’s website. The Foundation continues its electronic newsletter, Foundation e-News, which is available free to subscribers.

Title XI requires the ASC to monitor and review the practices, procedures, activities, and organizational structure of the Foundation. Title XI authorizes the ASC to make grants to the Foundation in such amounts as the ASC deems appropriate to help defray costs of Title XI-related activities of the ASB and AQB. The ASC approved

2010 grant reimbursement requests totaling \$1.28 million to support the Foundation’s Title XI-related activities. Between 1989 and 2010, the ASC has provided approximately \$15 million in grant funds to the Appraisal Foundation. The ASC engages a public accounting firm to review the Foundation’s grant-related activities and the request(s) for reimbursement.

Appraiser Qualifications Board

The AQB accomplished the following in four public meetings in 2010:

Consideration of Potential Revisions to the *Real Property Appraiser Qualification Criteria*

To ensure real estate appraiser qualifications are meeting the needs of the marketplace and public trust is adequately being served, the AQB reviews the AQB Criteria every five to six years for potential revisions. The AQB Criteria that became effective on January 1, 2008, were adopted by the AQB in February 2004. Therefore, the AQB again embarked on the process to determine what changes, if any, should be considered to the existing AQB Criteria.

The AQB began consideration of potential changes with a public hearing held in Minneapolis, Minnesota in June 2010. The AQB received input from a wide variety of constituents, including appraisers, users of appraisal services, State and Federal regulators, professional appraiser organizations, education providers, and the public in general.

The AQB deliberated over the feedback received, researched its constituents where necessary, and began exposing potential revisions to the AQB Criteria for public comment with its First Exposure Draft, issued October 19, 2010. The AQB issued a Second Exposure Draft by mid-January 2011, and multiple exposure drafts are likely prior to an anticipated adoption sometime near the end of 2011.

State Licensing and Certification Examinations

2010 marked the third year of implementation of the *National Uniform Licensing and Certification Examinations*. As with each prior year, the exams were updated by the AQB's Subject Matter Experts (SMEs), then thoroughly vetted by the AQB liaisons, and evaluated for psychometric performance by the Appraisal Foundation's examination development consultant.

At the end of 2010, national pass rates for first-time takers of the exams ranged from approximately 50% to 65%.

Improved USPAP Instruction Program

Prior to March 31, 2010, all Certified USPAP Instructors were required to complete the new *Instructor Recertification Course* as a prerequisite to teaching the 2010-11 edition of the National USPAP Courses. As of April 1, 2010, there were more than 550 AQB Certified USPAP Instructors possessing valid credentials.

Course Approval Program

The voluntary Course Approval Program (CAP) is designed to facilitate approval of appraisal education submitted by course providers for subsequent use in streamlining approval in the individual States. At the end of 2010, there were over 325 courses approved by the AQB through CAP, including several courses that were approved as equivalent to the 2010-11 National USPAP Courses. All approved courses are posted on the Appraisal Foundation's website (www.appraisalfoundation.org). In addition, CAP offers a national course clearinghouse website, which allows State appraiser regulators secure access to review course materials submitted for all CAP-approved courses.

Appraisal Standards Board

The ASB accomplished the following actions in four public meetings in 2010:

Uniform Standards of Professional Appraisal Practice

The 2010-11 edition of USPAP is effective from January 1, 2010 through December 31, 2011, and was available as of October 1, 2009. Revisions included in the 2010-11 edition were:

- Definition of "Signature";
- Definition of "Jurisdictional Exception";
- Definition of "Assignment";
- The ETHICS RULE;
- The COMPETENCY RULE;
- The JURISDICTIONAL EXCEPTION RULE; and
- STANDARD 3, *Appraisal Review, Development and Reporting*.

After conducting outreach, the ASB determined the following areas of USPAP would be addressed for the 2012-13 edition:

- Reporting;
- Record Keeping; and
- STANDARDS 7 and 8.

The ASB issued its First Exposure Draft on January 5, 2010. This Exposure Draft introduced the concept of a COMMUNICATIONS RULE to address the issue of reporting. The ASB established a written comment deadline of February 15, 2010.

After reviewing the feedback from the First Exposure Draft, the ASB issued a Second Exposure Draft on May 27, 2010, with substantial revisions to the proposed COMMUNICATIONS RULE and a comment deadline of July 20, 2010. In addition, the Second Exposure Draft sought comment on STANDARDS 4 and 5 (Appraisal Consulting) and whether to retain these Standards.

On September 29, 2010, the ASB issued its Third Exposure Draft with a comment deadline of November 12, 2010. The feedback received from the first two exposure drafts led the ASB to the conclusion that the concept of appraisal reporting could not adequately be addressed for the 2012-13 edition of USPAP. Therefore, the ASB decided to continue work on reporting but to target any related changes for the 2014-15 edition of USPAP. As a result, the Third Exposure Draft contained proposed revisions to the following areas of USPAP:

- Proposed Revisions to DEFINITIONS of “Client,” “Extraordinary Assumption,” and “Hypothetical Condition”;
- Proposed Required Labeling of “Extraordinary Assumptions” and “Hypothetical Conditions” and Proposed Revisions Requiring Disclosure of *Exposure Time*;
- Proposed Revisions to Standards Rules 2-3, 3-6, 6-9, 8-3 and 10-3;
- Proposed Retirement of STANDARDS 4 and 5;
- Proposed RECORD KEEPING RULE and Related Edits to the Conduct Section of the ETHICS RULE;
- Proposed Revisions to Advisory Opinion 21, USPAP Compliance; and
- Proposed Revisions to STANDARD 7, PERSONAL PROPERTY APPRAISAL, DEVELOPMENT.

After deliberating over the feedback received from the Third Exposure Draft, the ASB issued a Fourth Exposure Draft on December 10, 2010, with a written comment deadline of January 14, 2011. The ASB will also be accepting oral comments in 2011.

Frequently Asked Questions (“FAQ”)

In 2010, the ASB revised its policy of issuing USPAP Q&As on a monthly basis, and instead elected to issue them on an as-needed basis.

As was done with the 2008-09 edition of the USPAP document, the 2010-11 edition of USPAP incorporated the Frequently Asked Questions into the same document as USPAP and the Advisory Opinions, utilizing a master index for easy reference.

National USPAP Courses

The 15-hour *National USPAP Course* is designed for those students entering the appraisal profession, and is a comprehensive look into USPAP.

The 2010-11 edition of the 7-hour *National USPAP Update Course* is designed for practicing appraisers who are required to complete the course every two years. The course highlights the revisions to USPAP, but also focuses on several key USPAP Q&A's, as well as providing a case study for attendees.

Improved USPAP Instruction Program

The ASB continued to work with the AQB and Appraisal Foundation staff to improve course and examination material for the AQB Certified USPAP Instructor program. To date, the ASB has presented the *Instructor Certification Course* to over 1,000 students.

Board of Trustees

The Appraisal Foundation is led by a 25-member Board of Trustees charged with appointing members to its three independent Boards as well as securing funding for, and providing oversight of, the Boards' activities. Ten members of the Board of Trustees are elected At-Large with the balance being appointed by the Foundation's Sponsoring Organizations and Advisory Councils. During 2010, David Wilkes of Tarrytown, New York served as Chair and Joseph Traynor of Indianapolis, Indiana served as Vice Chair.

In addition, in 2010 the Appraisal Foundation embarked on and continued several projects to assist State regulatory agencies in their enforcement of USPAP:

- **State Investigator Training Program:** This program represents a joint effort of the Foundation, the ASC and the Association of Appraiser Regulatory Officials.
- **The development of a *Voluntary Disciplinary Action Matrix*:** This document was developed by a special task force made up of representatives from the Board of Trustees, State appraiser regulatory officials, and ASC staff. It is intended to offer a voluntary set of disciplinary guidelines for use by State appraiser regulatory agencies when enforcing USPAP.
- **Creation of a Video *eLibrary*:** This online library offers free video-taped training sessions of benefit to State regulators. In 2010, the first two entries were filmed and posted: a one-hour *USPAP Update for State Regulators* and a four-hour *Mock Administrative Hearing*.

The program commenced in 2009 and continued into 2010. By the end of 2010, over 325 State regulators had received training on USPAP and investigative techniques.

Financial Status of the ASC

In FY 2010, revenue totaled approximately \$2.8 million, and expenses (including grants to the Appraisal Foundation) totaled approximately \$3.6 million.

Appendix A contains the ASC's FY 2010 audited financial statements, ending September 30, 2010. The ASC operated at a financial loss of approximately \$800,000. The ASC determined that operating at a loss during FY 2010 was not inappropriate given the important Title XI-related initiatives funded through the annual grant to the Appraisal Foundation and the resources necessary to operate an effective Compliance Review process. Moreover, the ASC had reserves of over \$4.8 million. The external auditors did not find any 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.

Appendix A

Financial Statements

Appraisal Subcommittee Financial Statements

September 30, 2010 and 2009

APPRAISAL SUBCOMMITTEE

Financial Statements

September 30, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

To the Appraisal Subcommittee of the
Federal Financial Institutions Examination Council

We have audited the accompanying statements of financial position of the Appraisal Subcommittee as of September 30, 2010 and 2009, and the related statements of operations and changes in net position and cash flows for the years then ended. These financial statements are the responsibility of the Subcommittee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Appraisal Subcommittee as of September 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2011 on our consideration of the Appraisal Subcommittee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

O'Connor & Drew, P.C.
Certified Public Accountants

January 12, 2011

APPRAISAL SUBCOMMITTEE

Statements of Financial Position

September 30, 2010 and 2009

APPRAISAL SUBCOMMITTEE

Statements of Financial Position

September 30,

Assets

	<u>2010</u>	<u>2009</u>
Assets:		
Fund balances with U.S. Treasury	\$ 6,094,611	\$ 6,945,480
Accounts receivable	334,401	366,082
Deposits	-	182,464
Property and equipment, net	<u>184,155</u>	<u>51,529</u>
Total Assets	<u>\$ 6,613,167</u>	<u>\$ 7,545,555</u>

Liabilities and Net Position

Liabilities:		
Accounts payable	\$ 37,239	\$ 115,538
Grants payable	321,532	353,317
Deferred revenues	1,218,175	1,295,175
Accrued expenses	<u>232,529</u>	<u>195,787</u>
Total Liabilities	<u>1,809,475</u>	<u>1,959,817</u>
Net Position	<u>4,803,692</u>	<u>5,585,738</u>
Total Liabilities and Net Position	<u>\$ 6,613,167</u>	<u>\$ 7,545,555</u>

The accompanying notes are an integral part of the financial statements.

APPRAISAL SUBCOMMITTEE

Statements of Operations and Changes in Net Position

For the Years Ended September 30,

	<u>2010</u>	<u>2009</u>
Registry Fees	<u>\$ 2,782,197</u>	<u>\$ 3,071,106</u>
Operating Expenses:		
Personnel compensation and benefits	1,523,660	1,190,394
Rent, communications and utilities	265,204	273,243
Contracted services	210,379	301,301
Travel and transportation	173,509	177,196
Depreciation	49,838	14,093
Supplies and materials	27,358	45,728
Printing and reproduction	21,621	10,329
Other expenses	<u>11,409</u>	<u>14,898</u>
Total Operating Expenses	<u>2,282,978</u>	<u>2,027,182</u>
Other Expenses:		
Appraisal Foundation Grant	1,281,265	1,346,932
Appraisal Foundation Exam Grant	<u>-</u>	<u>77,573</u>
Total Other Expenses	<u>1,281,265</u>	<u>1,424,505</u>
Change in Net Position	(782,046)	(380,581)
Net Position, Beginning of Year	<u>5,585,738</u>	<u>5,966,319</u>
Net Position, End of Year	<u>\$ 4,803,692</u>	<u>\$ 5,585,738</u>

The accompanying notes are an integral part of the financial statements.

APPRAISAL SUBCOMMITTEE

Statements of Cash Flows

For the Years Ended September 30,

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Change in net position	<u>\$ (782,046)</u>	<u>\$ (380,581)</u>
Adjustments to reconcile change in net position to net cash applied to operating activities:		
Depreciation	49,838	14,093
Change in assets and liabilities:		
Accounts receivable	31,681	69,282
Prepaid expenses	-	635
Deposits	-	(182,464)
Accounts payable	(78,299)	82,721
Grants payable	(31,785)	(1,683)
Deferred revenues	(77,000)	(194,705)
Accrued expenses	<u>36,742</u>	<u>96,841</u>
Total Adjustments	<u>(68,823)</u>	<u>(115,280)</u>
Net Cash Applied to Operating Activities	<u>(850,869)</u>	<u>(495,861)</u>
Cash Flow from Investing Activity:		
Purchase of property and equipment	<u>-</u>	<u>(65,341)</u>
Net Decrease in Fund Balances with U.S. Treasury	(850,869)	(561,202)
Fund Balances with U.S. Treasury, Beginning of Year	<u>6,945,480</u>	<u>7,506,682</u>
Fund Balances with U.S. Treasury, End of Year	<u>\$ 6,094,611</u>	<u>\$ 6,945,480</u>

The accompanying notes are an integral part of the financial statements.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements

September 30, 2010 and 2009

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

Organization

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 provide 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. ASC assesses each state an annual fee of \$25 per registered appraiser.

The Federal financial institutions regulatory agencies include 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. The member agencies of the Appraisal Subcommittee include the Federal financial institutions regulatory agencies and the Department of Housing and Urban Development.

Title XI of FIRREA provided that 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 Title XI.

Method of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2010 and 2009

Note 1 - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances with U.S. Treasury

Fund balances with the U.S. Treasury are the amounts remaining as of fiscal year-end from which the Appraisal Subcommittee is authorized to make expenditures and pay liabilities resulting from operational activities, except as restricted by law.

Accounts Receivable

Accounts receivable consists of amounts due to the Appraisal Subcommittee for registry fees. As of the balance sheet date, management is of the opinion that an allowance for doubtful accounts is not necessary.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years.

Deferred 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.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2010 and 2009

Note 2 - **Property and Equipment**

Property and equipment at September 30, consists of the following:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 365,859	\$ 183,395
Furniture	<u>31,803</u>	<u>31,803</u>
	397,662	215,198
Less: accumulated depreciation	<u>213,507</u>	<u>163,669</u>
Net Property and Equipment	\$ <u>184,155</u>	\$ <u>51,529</u>

Note 3 - **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 7 percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and 0.8 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 2010 and 2009 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$168,000 and \$131,000, 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 the individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired Federal employees.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2010 and 2009

Note 4 - **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 to help defray costs of the Appraisal Foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards. Since inception of the Appraisal Subcommittee on August 9, 1989, it has made grants to the Appraisal Foundation under which approximately \$15,080,000 was expended through September 30, 2010. As of September 30, 2010, the Appraisal Subcommittee has \$321,532 in undistributed grant funding available to the Foundation for the grant year ending December 31, 2010, which is recorded in grants payable.

Note 5 - **Interagency Transactions**

The Appraisal Subcommittee has a Memorandum of Understanding with the U.S. General Services Administration (GSA) to share the costs of office space, which includes operating costs and real estate taxes. The payments are due monthly, as billed by the GSA. The Appraisal Subcommittee does not have a future commitment under this lease, as it is the ultimate responsibility of the GSA. Base rent expense totaled \$207,824 and \$245,644 for the years ended September 30, 2010 and 2009, respectively.

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 2010 and 2009 include approximately \$58,000 and \$59,000, respectively, for these services.

Note 6 - **Cash Flow Information**

During the fiscal year ended September 30, 2010, the Appraisal Subcommittee transferred \$182,464 of computer equipment from deposits to property and equipment.

Note 7 - **Concentrations and Contingencies**

Subsequent Events

Management has evaluated subsequent events through January 12, 2011, the date for which the financial statements were available for issuance.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing
Standards***



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Appraisal Subcommittee of the
Federal Financial Institutions Examination Council

We have audited the financial statements of the Appraisal Subcommittee as of and for the years ended September 30, 2010 and 2009, and have issued our report thereon dated January 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Appraisal Subcommittee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Subcommittee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Subcommittee's internal control over financial reporting.

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 a combination of deficiencies, in internal control 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Appraisal Subcommittee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of the Appraisal Subcommittee and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

January 12, 2011

Appendix B

Statutory References

Title XI¹ Real Estate Appraisal Reform Amendments

[12 U.S.C. 3331-3351]

§ 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. Each such designee shall be a person who has demonstrated knowledge and competence concerning 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 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;
 - (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; and
 - (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).
- (b) *Monitoring and reviewing Foundation.* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

¹ Dodd-Frank amendments are not incorporated. An unofficial ASC staff “redlined” version of Title XI as amended by the Dodd-Frank Act is available on the ASC website <https://www.asc.gov>.

§ 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 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.

§ 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, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate.

§ 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(b) 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; and
- (2) collect from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$ 25, such fees to be transmitted by the State agencies to the Council on an annual basis.

Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees, up to a maximum of \$ 50 per annum, as necessary to carry out its functions under this title.

(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]; and
- (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.

§ 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; and
- (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.

§ 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.

(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 recom-

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.

§ 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.

(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) *Authority of Appraisal Subcommittee.* The Appraisal Subcommittee shall not set qualifications or experience requirements for the States in licensing real estate appraisers, including a de minimus [de minimis] standard. Recommendations of the Subcommittee shall be nonbinding on the States.

§ 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.

§ 1118. Monitoring of State appraiser certifying and licensing agencies [12 U.S.C. 3347]

(a) *In general.* The Appraisal Subcommittee shall monitor State appraiser certifying and licensing agencies for the purpose of determining whether a State agency's policies, practices, and procedures are consistent with this title. 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, or procedures are found to be inconsistent with this title.

(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 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 Examinations 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 Corporations, 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 [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.

§ 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.* The Appraisal Subcommittee shall encourage the States to develop reciprocity agreements that readily authorize appraisers who are licensed or certified in one State (and who are in good standing with their State appraiser certifying or licensing agency) to perform appraisals in other States.

(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 [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 shall not exclude a certified or licensed appraiser for consideration for an assignment solely by virtue of membership or lack of membership in any particular appraisal organization.

(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].

§ 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.

**Department of Housing and Urban
Development Reform Act of 1989 § 142
FHA Operations [12 U.S.C. 1708(e)]**

(e) *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.

Appendix C

2010 Annual Compliance Review Findings

Areas of Non-Compliance			
Requirement/Guidance Areas	26 States Reviewed for Compliance in 2010	32 States Reviewed for Compliance in 2009	26 States Reviewed for Compliance in 2008
	2010 26 States Reviewed	2009 32 States Reviewed	2008 26 States Reviewed
Statutes, Regulations, Policies and Procedures:	4	7	15
Temporary Practice:	1	0	8
National Registry:	1	1	4
Application Process:	9	19	8
Reciprocity:	0	0	0
Education:	0	0	0
Enforcement:	19	15	16
State Compliance Status			
	2010 26 States Reviewed	2009 32 States Reviewed	2008 26 States Reviewed
In Substantial Compliance	10	14	5
Not in Substantial Compliance	16	18	20
Not in Compliance	0	0	1

The table above documents the 2008, 2009, and 2010 Compliance Review findings by requirement and areas of guidance.

Appendix D

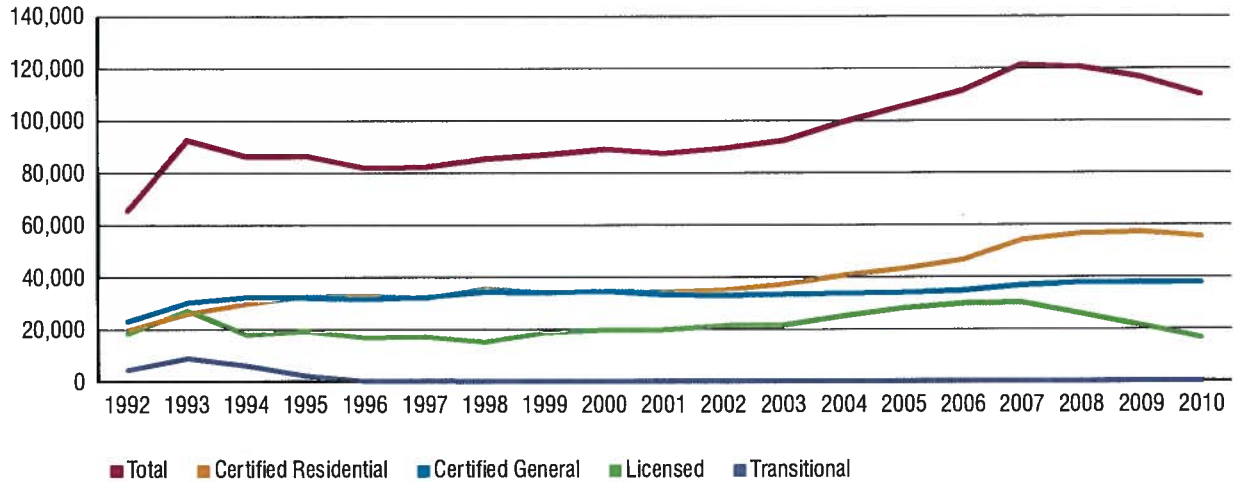
National Appraiser Credential License and Certification Statistics

Note: These statistics reflect the number of appraiser credentials, not the number of appraisers. It is not uncommon for the same appraiser to hold multiple State credentials.

National Registry Credentials—Year-End 1992–2010

Year-End	Certified General	Certified Residential	Licensed	Transitional	Total
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
2010	37,807	55,522	16,674	23	110,026

National Registry Credentials



Note: Transitional licensing enabled persons to become licensed when they passed the appropriate examination but lacked either the educational or the experience requirements adopted by the State. States generally have required: (1) transitionally-licensed appraisers to satisfy the missing requirements within no more than two years after being tested and transitionally licensed by the State; and (2) each transitional license is to indicate clearly its transitional nature, period of validity and a non-extendable termination date.