

APPRAISAL SUBCOMMITTEE  
*Federal Financial Institutions Examination Council*

ANNUAL  
REPORT  
2012



**Letter of Transmittal**

June 12, 2013

The President of the Senate  
The Speaker of the House of Representatives

Pursuant to Section 1103 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (12 U.S.C. 3332), I am pleased to submit the 2012 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,



**Darrin Benhart**  
Acting Chairman



# Table of Contents

Introduction . . . . .	7
Message from the Chairman . . . . .	9
ASC Member Representatives . . . . .	11
Administration of the Appraisal Subcommittee . . . . .	13
State Appraiser Regulatory Program Oversight . . . . .	15
Appraisal Foundation Monitoring and Oversight . . . . .	17
National Registry . . . . .	19
Activities of the ASC Member Agencies . . . . .	21
Activities of the Appraisal Foundation . . . . .	25
Financial Status of the ASC . . . . .	31
Appendix A <i>Financial Statements</i> . . . . .	33
Appendix B <i>Statutory References</i> . . . . .	47
Appendix C <i>2012 Compliance Review Findings</i> . . . . .	59
Appendix D <i>National Appraiser Credential Statistics</i> . . . . .	63
Appendix E <i>Tools for Monitoring State Compliance with Title XI</i> . . . . .	65
Appendix F <i>Appraiser Disciplinary Actions Reported by States</i> . . . . .	67



## Introduction

# The Appraisal Subcommittee

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI of FIRREA or Title XI). Title XI's purpose is to "provide that Federal financial and public policy interests in real estate transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, and by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision."<sup>2</sup> In general, the ASC oversees the real estate appraisal process as it relates to federally related transactions as defined in Title XI.<sup>3</sup>

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) included amendments to Title XI. As amended, Title XI requires 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 appraisal management companies (AMCs);

- monitor the requirements established by the Federal financial institutions regulatory agencies with respect to—

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

(B) determinations as to which federally related transac-

tions 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;
- 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 ASC has been carried out during the preceding year;
- maintain a National Registry of AMCs 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;<sup>4</sup> and
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (Foundation).

---

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

<sup>2</sup> Title XI § 1101, 12 U.S.C. § 3331.

<sup>3</sup> 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. (Title XI § 1121 (4), 12 U.S.C. § 3350.)

<sup>4</sup> The AMC National Registry and annual AMC registry fees will be implemented along with the States establishment of AMC registration in accordance with the Dodd-Frank Act.

Title XI also requires the ASC to:

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

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

The ASC has seven members, each designated respectively by the head of their agency, including the Board of Governors of the Federal Reserve System (FRB), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), the Federal Housing Finance Agency (FHFA), and the U.S. Department of Housing and Urban Development (HUD).



# Message from the Chairman

In 2012, the ASC continued to fulfill its mission in support of the appraisal regulatory framework governing federally related transactions through promotion of uniform appraisal standards and effective supervision of appraisers. The 2012 Annual Report presents an overview of the ASC's activities, focusing on the ASC's monitoring of State appraiser regulatory programs (State Programs) and the Foundation. In addition, priority in 2012 was given to implementation of numerous provisions of the Dodd-Frank Act, including the establishment of the Appraisal Complaint National Hotline.<sup>5</sup>

All States<sup>6</sup> have laws that require persons seeking to become credentialed as appraisers to meet, at a minimum, the AQB's *Real Property Appraiser Qualification Criteria* (AQB Criteria).<sup>7</sup> All States also have laws requiring certified and licensed appraisers to conform to the *Uniform Standards of Professional Appraisal Practice* (USPAP) as promulgated by the ASB when performing appraisals in connection with federally related transactions.

The ASC State Compliance Review process is integral to the ASC's oversight of State Programs. The Compliance Review focuses on three key components of a State's Program:

1. complying with Title XI mandates and ASC Policy Statements requirements;
2. maintaining a strong regulatory program; and
3. limiting overall risk of Program failure.

The ASC generally conducts a Compliance Review of each State Program every two years. In 2012, the ASC reviewed 27 State Programs, and also completed one Follow-up Review to assess a State's progress in addressing identified deficiencies. The ASC also performed five on-site visits and held discussions with State Programs as part of its Priority Contact process addressed later in the report. Appendix C, *2012 Compliance Review Findings*, provides information on findings from State Compliance Reviews performed in 2012.

Throughout 2012, the ASC continued monitoring the Foundation's practices, procedures, activities, and organizational structure. ASC staff regularly attended the meetings of the AQB, ASB, Appraisal Practices Board (APB), and the Board of Trustees. In 2012, as in prior years, the ASC provided grant funds to the Foundation to help defray costs for grant eligible activities of the AQB and ASB. For fiscal year 2012, the ASC provided the Foundation with over \$700,000 in grant funds.

The ASC grant to the Foundation continues to support investigator training courses for State Program investigators, board members, legal, and administrative staff. The courses provide educational materials and resources to aid States in their investigative processing of complaints against appraisers. In 2012, 72 State employees attended the training, with 433 State employees attending the courses over the past three years. This training was developed jointly by the Foundation, the Association of Appraiser Regulatory Officials (AARO), and the ASC to provide employees of the State Programs with critical training that may not be available otherwise. The courses promote best practices in complaint investigation and resolution, and cover topics such as USPAP and proper investigative techniques. The ASC currently is exploring other beneficial educational opportunities in conjunction with the Foundation and AARO.

---

<sup>5</sup>The Appraisal Complaint National Hotline began operation on March 15, 2013, to refer complainants to appropriate State and/or Federal agencies to handle complaints of alleged violations of USPAP and/or appraisal independence requirements.

<sup>6</sup>"State" refers to the 50 States, the District of Columbia, and four territories (Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Guam, and United States Virgin Islands).

<sup>7</sup>Due to a Dodd-Frank Act amendment to Title XI, effective January 1, 2013, the minimum qualification criteria issued by the AQB are mandatory for all federally recognized credential levels (State certified general appraiser, State certified residential appraiser, State licensed appraiser, trainee appraiser and supervisory appraiser).

The Dodd-Frank Act required the Government Accountability Office (GAO) to conduct a study of the ASC's functions pursuant to Title XI. In January 2012, the GAO issued its report.<sup>8</sup> The GAO report included the following three recommendations:

1. clarify the definitions used to categorize States' overall compliance with Title XI and include them in ASC's Compliance Review and policy and procedures manuals, compliance review reports to states, and annual reports to Congress;
2. develop specific policies and procedures for monitoring the appraisal requirements of the Federal financial institutions regulators and include them in ASC's policy and procedures manual; and
3. develop specific criteria for assessing whether the grant activities of the Appraisal Foundation are Title XI-related and include these criteria in ASC's policy and procedures manual.

The ASC concurred with and addressed all three recommendations. The ASC addressed the first recommendation by proposing revisions to the ASC Policy Statements<sup>9</sup> that were published in the *Federal Register*<sup>10</sup> for comment in August 2012. The proposed revisions to the ASC Policy Statements are the first complete revision of all of the Policy Statements, and consider recent amendments to USPAP and AQB Criteria. The proposed Policy Statements included an expanded ASC Findings and rating criteria system. The ASC expects to approve the revised Policy Statements in 2013.

The ASC addressed the second and third recommendations by adopting policies and procedures during 2012 to address:

1. monitoring the Federal financial institutions regulators' appraisal requirements; and
2. criteria for assessing which activities of the Foundation are grant eligible.

The GAO report also described the added authority the Dodd-Frank Act granted the ASC in the areas of enforcement, rulemaking, grants, and jurisdiction (monitoring State registration of AMCs). A comprehensive survey of State appraiser regulatory officials is also included in the report, and provides insight to the views of State appraiser regulators regarding the ASC, the Foundation, and the States.

In closing, the ASC will continue to fulfill its responsibilities under Title XI as amended by the Dodd-Frank Act. The ASC member agencies are committed to providing the ASC with the resources to fulfill its statutory mandates in a transparent and efficient manner.

---

<sup>8</sup><http://www.gao.gov/assets/590/587735.pdf>

<sup>9</sup>The ASC Policy Statements provide requirements and guidance to the States regarding compliance with Title XI.

<sup>10</sup>See 77 *Federal Register* 52721 (August 30, 2012).

# Appraisal Subcommittee

## *Member Representatives*

The ASC board consists of seven individuals appointed by the heads of the FFIEC agencies and the FHFA and HUD. Title XI also requires the FFIEC to appoint a Chairperson from the member representatives to serve a two-year term.



### **Department of Housing and Urban Development**

**Chairman:** Peter Gillispie, January 2012  
Member Since: August 2008  
Mr. Gillispie is the Deputy Director, Home Valuation Policy Division.  
Alternate Member: Ada Bohorfoush



### **Office of the Comptroller of the Currency**

**Vice Chairman:** Darrin Benhart, June 2012  
Member Since: January 2012  
Mr. Benhart is the Deputy Comptroller for Credit and Market Risk.



### **Board of Governors of the Federal Reserve System**

**Member:** Arthur Lindo  
Member Since: January 2012  
Mr. Lindo is the Senior Associate Director, Division of Banking Supervision and Regulation.



### **Federal Deposit Insurance Corporation**

**Member:** Doreen Eberley  
Member Since: January 2012  
Ms. Eberley is the Senior Deputy Director for Supervisory Examinations, Division of Risk Management Supervision.



### **Federal Housing Finance Agency**

**Member:** Meg Burns  
Member Since: September 2011  
Ms. Burns is the Senior Associate Director, Housing and Regulatory Policy, Division of Housing Mission and Goals.  
Alternate Member: Susan Cooper



### **National Credit Union Administration**

**Member:** Joy Lee  
Member Since: May 2011  
Ms. Lee is the Senior FFIEC Advisor to the Chairman, Office of the Chairman.  
Alternate Member: Timothy Segerson



### **Consumer Financial Protection Bureau**

**Member:** Mira Marshall  
Member Since: July 2012  
Ms. Marshall is the Program Manager, Office of Large Bank Supervision.  
Alternate Member: Calvin Hagins  
Member: Paul Sanford  
Member Through: June 2012



# Administration of the Appraisal Subcommittee

## *Staff Listing*

**James R. Park**, Executive Director

**Denise E. Graves**, Deputy Executive Director

**Alice M. Ritter**, General Counsel

**Daniel L. Rhoads**, Attorney-Advisor

**Vicki A. Ledbetter-Metcalf**, Policy Manager

**Jenny Howard Tidwell**, Policy Manager

**Kristi A. Klamet**, Policy Manager

**Neal R. Fenochietti**, Policy Manager

**Lori L. Schuster**, Management and Program Analyst

**Claire M. Brooks**, Regulatory Affairs Specialist

**Ray M. Seward**, Information Management Specialist

**Brian T. Kelly**, Administrative Assistant

### **ASC Meeting Procedures**

The ASC 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 ASC 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

As required by Title XI, the ASC monitors each State's Program for compliance with Title XI, AQB Criteria and ASC Policy Statements. The ASC's Compliance Review of the State Programs focuses on three key components of Title XI: (1) complying with Title XI mandates and requirements of ASC Policy Statements; (2) maintaining a strong regulatory program; and (3) limiting overall risk of Program failure. The ASC fulfills its responsibilities to monitor State Programs largely through on-site visits to the States. The ASC performs an on-site Compliance Review of each State at least once every two years. (See Appendix E, *Tools for Monitoring State Compliance with Title XI*.) The ASC also has increased communication (both formal and informal) over the past five years with the States to address issues in State Programs before they become critical.

As a risk management tool, the ASC identifies State Programs that may have a significant impact on the nation's appraiser regulatory system. During 2012, the following 12 States, listed alphabetically, collectively represented over 50 percent of the credentialed appraisers on the National Registry: California, Florida, Georgia, Illinois, Michigan, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia, and Washington. The ASC performs annual Priority Contact visits with States that represent a significant percentage of the credentials on the National Registry. The ASC also conducts a Priority Contact visit for individual States when a specific concern warrants special attention by the ASC. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. A Priority Contact visit is not a complete Review of the Program.

In 2012, ASC policy managers conducted 27 Compliance Reviews; 1 Follow-up Review; and 5 Priority Contacts and other on-site visits.<sup>11</sup> (See Appendix C, *2012 Compliance Review Findings*.)

## Compliance Review Program

The ASC revised its Compliance Review process in 2007 to implement a more risk-based management process. The revised process focuses on areas of State Programs that are not in compliance with Title XI or that exhibit characteristics which could lead to non-compliance. Generally, the revised process has resulted in greater State Program compliance with Title XI. During the 2007 and 2008 Review Cycle, the ASC conducted 56 Compliance Reviews and found only 9 States (16 percent) in substantial compliance. During the first complete Review Cycle under the new Compliance Review process (2009/2010), the ASC conducted 58 State Compliance Reviews and found 23 States (40 percent) in substantial compliance. Similarly, of the 54 Compliance Reviews conducted in the 2011/2012 Review Cycle, the ASC found 23 States (43 percent) in substantial compliance. (See Appendix C, *2012 Compliance Review Findings*.)

Compliance Reviews are scheduled over a two- to four-day period to coincide with a meeting of the State Program's decision-making body whenever possible. Preliminary Findings are communicated to the State in an

---

<sup>11</sup> Priority Contact visits may be performed onsite or by telephone.

ASC staff report and the State is given 60 days to respond. ASC staff then considers the State's response 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. State Programs are found to be either: (1) in substantial compliance; (2) not in substantial compliance; or (3) not in compliance. (See Appendix C, *2012 Compliance Review Findings*.)

Of the 27 Compliance Reviews performed during 2012, 8 States (30 percent) were found to be in substantial compliance; 19 States (70 percent) were deemed not in substantial compliance; no States were found to be not in compliance. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2012 Compliance Review Findings* (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 issues Policy Statements to assist the States in understanding the ASC's expectations for compliance with Title XI. The Policy Statements reflect the general framework that the ASC uses in the Compliance Review process. Due to the ASC's revised Compliance Review process and Dodd-Frank Act amendments to Title XI, the ASC published revised proposed Policy Statements for comment on August 30, 2012. Included in the proposed Policy Statements is an expanded ASC Findings and rating criteria system. The comment period expired November 29, 2012. The ASC has reviewed the comments received and will be considering some revisions to the proposed Policy Statements, with approval anticipated by the ASC in 2013.



# Appraisal Foundation Monitoring and Oversight

The ASC monitors the Foundation, including the AQB and the ASB, which serve as the congressionally-authorized source for establishing appraiser qualifications and appraisal standards. In monitoring the Foundation, the ASC attends AQB, ASB, APB and Foundation Board of Trustees (BOT) meetings. The ASC also provides comments on proposals and reviews final published documents regarding AQB Criteria and USPAP.

## ASC Grants

Title XI requires the ASC “to make grants in such amounts as it deems appropriate to the [Foundation], to help defray those costs of the Foundation relating to the activities of the [ASB] and [AQB].”<sup>12</sup> As part of the GAO report on its study of the ASC, the GAO recommended the ASC develop specific criteria for assessing whether the grant activities of the Foundation are Title XI-related. In response, the ASC adopted a grant policy in July 2012 to clarify the criteria used by the ASC for assessing which of the activities of the Foundation are eligible for grant funding and for determining the amounts of such grants that will be considered for approval.

In accordance with the newly adopted grant policy, the Foundation annually submits grant requests to coincide with the ASC’s fiscal year for consideration as part of the ASC’s budget process. As part of its review of the Foundation’s grant proposal, the ASC will evaluate whether amounts requested are for “grant-eligible activities.” For ASB, AQB, or BOT expenses to be considered related to “grant eligible activities,” they must meet the following requirements:

1. ASB expenses must be related to the development, interpretation, amendment or advancement of the USPAP, or related special projects and be included in the approved grant budget;

2. AQB expenses must be related to the development, interpretation, amendment or advancement of the AQB Criteria, or related special projects, maintenance of the National Uniform Examination and be included in the approved grant budget; and
3. BOT expenses must be related to development, interpretation, amendment or advancement of the USPAP or the AQB Criteria and be included in the approved grant budget.

In addition to the above criteria, the ASC also evaluates the impact of grant funding on the ASC’s financial condition to ensure consistency with its operating standards for maintaining appropriate reserves. During the ASC’s 2012 fiscal year, it provided approximately \$728,970 in grant funding to the Foundation and, since the ASC’s inception in 1989, it has provided over \$17 million in aggregate grant funds.

Approved grant funds generally are paid monthly after the Foundation submits a detailed request for reimbursement that includes a summary of the amount and types of expenses and supporting documentation. ASC staff reviews each reimbursement request to ensure expenses requested for reimbursement are related to “grant-eligible activities” and that the expenses were included in the annual grant budget. ASC staff presents the results of its review to the ASC for its consideration of the grant reimbursement requests at the next regularly scheduled ASC Meeting.

---

<sup>12</sup> Title XI § 1109(b)(4), 12 U.S.C. § 3338.

The ASC has been providing grant funds to the Foundation for the development, presentation, and hosting of State Investigator Training Courses developed and sponsored by the Foundation and AARO. ASC grant funds paid for attendees' meeting materials, lodging, and travel expenses for up to three individuals from each State. The courses promote effective complaint investigation and resolution by providing training on topics such as USPAP and proper investigative techniques, and provide resources to aid the States in their processing of complaints against appraisers. Positive feedback from the States resulted in the ASC approving funding for investigator courses for 2013. The ASC also has funded other educational programs for the States, including a mock complaint enforcement trial and a USPAP Update for Regulators, both of which were recorded and are available through the Foundation's e-library.

The ASC employs an independent auditing firm on an annual basis to perform an agreed upon procedures engagement in accordance with standards established by the American Institute of Certified Public Accountants relating to the Foundation grant and the applicable requirements of OMB Circular A-122.<sup>13</sup> The purpose of the review is to:

- Ascertain that grant funds are expended for the activities allowed in the grant;
- Ascertain that costs charged to the grant are allowed under the grant agreement;

- Note whether specific service or expenditure levels are maintained;
- Ascertain whether minimum or maximum limits for specified services are met;
- Determine whether funds were obligated within the period of availability and obligations were liquidated within the required time period;
- Determine whether revenues are correctly recorded and disbursed in accordance with the grant/program requirements;
- Determine whether activities related to the grant occurred when the Foundation incurred the expenditure;
- Ascertain the costs charged to the meetings are in compliance with the grant agreement; and
- Ascertain that the costs charged to the grant for conference calls are in compliance with the grant agreement.

---

<sup>13</sup> OMB Circular A-122, "Cost Principles for Non-Profit Organizations," revised May 10, 2004. This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.

# National Registry

Title XI requires the ASC to maintain a National Registry (Registry) of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions. As of December 31, 2012, the Registry contained just over 102,000 appraiser credentials,<sup>14</sup> down 4 percent from the 106,000 entries at the end of 2011, and down 16 percent from the peak of over 121,000 in 2007. (See Appendix D, *National Appraiser Credential Statistics*.)

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

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

- Receive from the ASC automatic notifications by daily email about new revocations, suspensions, surrenders, and certification/license expirations;
- Download all releasable information or parts of the Registry into predefined queries and user-customized queries;
- Set up automatic queries of Registry information using the SOAP web service which allows computer systems used by lenders, regulatory agencies, and other interested parties to integrate directly with the Registry; and
- Verify appraiser credentials.

The Registry also contains non-public data (such as certain disciplinary action other than suspensions, revocations, or voluntary surrenders). Access to non-public data is restricted to authorized State and Federal regulatory agency representatives.

In 2010, the ASC upgraded the Registry to allow States to submit data to the ASC directly from their credential tracking applications. By the end of 2012, 22 percent of the States were reporting all of their appraiser data directly into the Registry and 53 percent of the States were entering some of their appraiser data into the Registry as a supplement to the data files sent by the State periodically.

These upgrades reduced costs, increased efficiency, and allowed States the opportunity to provide almost immediate updates to the Registry, making it a more effective tool for users of appraisal services, as well as consumers and law enforcement.

Since 1991 States reported 23,800 disciplinary actions taken against appraisers for misconduct or wrongdoing. (See Appendix F, *Appraiser Disciplinary Actions Reported by States*.)

The Registry is one of several features of the ASC's website that is accessible to the general public at <https://www.asc.gov>. The website also permits public access to other useful information, including ASC correspondence, Title XI statutory text, ASC Policy Statements, 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).

---

<sup>14</sup> This number does not represent the number of individual appraisers since some appraisers have credentials from multiple States.



# Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the federal financial institutions regulatory agencies and HUD adopted implementing appraisal-related rules and policies. The appraisal regulations of the OCC, FRB, FDIC, and NCUA are in volume 12 of the Code of Federal Regulations at: part 34, subpart C, and in part 164 (OCC); part 208 subpart E, and part 225, subpart G (FRB); part 323 (FDIC); and part 722 (NCUA).<sup>15</sup> HUD's appraisal regulations are in volume 24 of the Code of Federal Regulations at part 200.200 through 200.206.

The OCC, FRB, FDIC, and NCUA (the Agencies) also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines) that clarify the Agencies' long-standing expectations for an institution's appraisal and evaluation program.<sup>16</sup> These guidelines address the Agencies' expectations for an institution's collateral valuation function, including independence in the appraisal and evaluation functions, minimum appraisal standards for federally related financial transactions, the development and content of evaluations, appraisals for residential tract development lending, and background on the USPAP. There is also a discussion on the conditions under which a federally regulated financial institution's real estate-related transactions might be exempted from the Agencies' appraisal regulations. Under the Agencies' appraisal regulations, regulated institutions must ensure that appraisals supporting federally related transactions comply with USPAP.

The Agencies have also issued other guidance documents related to appraisal requirements at federally regulated financial institutions, including:

- *Frequently Asked Questions on Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions* (2005)
- *Frequently Asked Questions on Residential Tract Development Lending* (2005)
- *Credit Risk Management Guidance for Home Equity Lending* (2005)
- *High Loan-to-Value Residential Real Estate Lending* (2009)

FHFA's regulated entities, 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. Like the Guidelines, 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.

The Dodd-Frank Act requires the FRB, OCC, FDIC, NCUA, FHFA, and CFPB (the Agencies) to jointly prescribe rules implementing several provisions regarding valuations in real estate-secured transactions, particularly for mortgages secured by a consumer's principal dwelling. The Agencies have formed an interagency working group to develop these rules and will be following their rulemaking procedures for seeking public comment and issuing final rules. The following summarizes the major Dodd-Frank Act provisions related to appraisals and the actions taken by the Agencies.

**Section 1471: Appraisal Requirements for "Higher-Risk Mortgages"**—added a new section 129H to the Truth in Lending Act (TILA), establishing appraisal requirements for "higher-risk mortgages." After seeking public comment on a proposed rule, the Agencies issued a final rule on January 18, 2013 to implement these new requirements effective on January 18, 2014.<sup>17</sup>

---

<sup>15</sup> Title III of the Dodd-Frank Act transferred the functions of the Office of Thrift Supervision to the OCC, FDIC, and FRB. The OCC has republished former OTS appraisal regulations applicable to Federal savings associations at 12 CFR Part 164. The FDIC published former OTS appraisal regulations applicable to state savings associations at 12 CFR Parts 390 and 391.

<sup>16</sup> See 75 *Federal Register* 77450 (December 10, 2010).

<sup>17</sup> For the final rule, see 78 *Federal Register* 10368 (February 13, 2013). For the proposal, see 77 *Federal Register* 54721 (September 5, 2012).

To implement this statutory mandate, the final rule uses the term “higher-priced mortgage loan” (HPML), a term used in the CFPB’s Regulation Z which has substantially similar meaning to a “higher-risk mortgage” in the Dodd-Frank Act. With certain exceptions, such as qualified mortgages, the rule covers closed-end mortgages secured by a consumer’s principal dwelling, with an annual percentage rate that exceeds the average prime offer rate by a specified percentage. The final rule requires creditors to obtain an appraisal or appraisals meeting certain specified standards, provide applicants with a notification regarding the use of the appraisals, and give applicants a copy of the written appraisal or appraisals obtained.

In response to public comments on the proposal, the Agencies announced their intention to publish a supplemental proposal to request additional comment on possible exemptions from the final HPML appraisal rule for “streamlined” refinance programs and low balance residential loans, as well as whether the rule should apply to loans secured by existing manufactured homes.

**Section 1472: Appraisal Independence**—added a new section 129E to TILA establishing requirements for appraisal independence for consumer credit transactions secured by the consumer’s principal dwelling. On October 18, 2010, the FRB issued an interim final rule to implement these provisions by amending Regulation Z (Truth in Lending).<sup>18</sup>

The amendments are designed to ensure that real estate appraisals used to support creditors’ 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. Compliance was mandatory for residential mortgage applications received by creditors on or after April 1, 2011. Going forward, the Agencies may jointly amend these interim rules or issue other rules, guidelines and policy statements with respect to acts or practices that violate section 129E.

**Section 1473(f)(2): Appraisal Management Company (AMC) Minimum Requirements**—added a new section 1124 to Title XI of FIRREA. Subject to certain exceptions, this section requires AMCs to register with the States in which the AMC operates before it can perform services for federally related transactions. Section 1124 also requires the Agencies to establish minimum requirements for States to apply in registering AMCs. Among other elements, these minimum standards must require AMCs to verify that only licensed or certified appraisers are used for federally related transactions. AMCs also must require that appraisals they coordinate comply with the USPAP. These minimum standards also apply to federally-regulated AMCs.

In addition, section 1124 requires the Agencies to issue regulations for the reporting of AMC activity to the ASC in determining the payment of the annual registry fee. The ASC is to maintain a national registry of AMCs and may charge a fee, to be collected by the States and remitted to the ASC, for an AMC to be reported on the registry. The ASC will begin development of the national registry and State monitoring requirements for AMCs upon adoption of final regulations by the federal financial institution regulatory Agencies. Once the Agencies adopt final regulations, the States will have 36 months to implement the standards.

**Section 1473(q): Automated Valuation Models (AVMs)**—added a new section 1125 to Title XI. This new section requires the Agencies, in consultation with the staff of the ASC and the ASB, to promulgate regulations implementing quality control standards for AVMs used by mortgage lenders and secondary market issuers to determine collateral values for mortgages secured by a consumer’s principal dwelling. The required quality control standards must be designed to, among other things, ensure a high level of confidence in the estimates produced by AVMs and protect against manipulation of data.

---

<sup>18</sup> See 75 *Federal Register* 66554 (October 28, 2010).

## **Federal Reserve Board**

On June 28, 2012, the FRB released *Questions and Answers for Federal Reserve-Regulated Institutions Related to the Management of Other Real Estate Owned (OREO) Assets* document (Q&A document) to clarify existing policies and promote prudent practices for the management of an institution's OREO assets, addressing both safety-and-soundness policies and consumer compliance issues.<sup>19</sup> The Q&A document sets forth longstanding guidance and highlights key concepts on the management of OREO assets, including appraisal concepts for OREO and compliance with the Board's appraisal regulation.

## **Federal Housing Finance Agency**

Under FHFA's direction in February 2010, Fannie Mae and Freddie Mac (the Enterprises) jointly established the Uniform Mortgage Data Program (UMDP) to provide common requirements for appraisal and loan delivery data. Two components of UMDP are appraisal specific: 1) the Uniform Appraisal Dataset (UAD); and 2) the Uniform Collateral Data Portal (UCDP). Through the implementation of the UAD and UCDP, the Enterprises are improving data quality, ensuring compliance with loan eligibility guidelines, and mitigating repurchase risk.

In June 2011, the Enterprises began a phased approach implementing UAD and UCDP. They first made UAD compliant appraisal forms and UCDP available to appraisers and lenders so they could become familiar with them. Next, the Enterprises required appraisal forms to be in compliance with UAD, and then, several months later required lenders to collect UAD compliant appraisal reports. In March 2012, implementation was completed when lenders started submitting UAD compliant appraisal reports through UCDP prior to loan delivery. To facilitate improvements and troubleshoot issues, the Enterprises continue to work with appraisal management companies and lenders to address areas of UAD non-compliance and PDF extraction errors.

Additional information and newsletters on UAD and future updates can be found at Freddie Mac's and Fannie Mae's respective websites.

- [http://www.freddie.mac.com/sell/secmktg/uniform\\_appraisal.html](http://www.freddie.mac.com/sell/secmktg/uniform_appraisal.html)
- <https://www.fanniemae.com/singlefamily/uniform-appraisal-dataset>

---

<sup>19</sup> This guidance (SR letter 12-10/ CA letter 12-9) may be found on FRB's public website at <http://www.federalreserve.gov/bankinfo/reg/srletters/sr1210.htm>.





# Activities of the Appraisal Foundation

The Foundation is a private, not-for-profit corporation charged by Title XI with the responsibility to establish, improve, and promote uniform appraisal standards and minimum appraiser qualification criteria. The Foundation serves as the parent organization for three boards established to accomplish this mission: the ASB, the AQB, and the APB. The ASB is responsible for promulgating and maintaining USPAP. The AQB is responsible for the AQB Criteria. The APB also develops voluntary guidance related to recognized valuation methods and techniques.

The Foundation ensures that USPAP and the 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 to update over 50,000 appraisers and other interested parties by sending out periodic emails on timely topics and events. These emails include requests for public comments on exposure drafts as well as public meeting notices and press releases.

## **Appraiser Qualifications Board (AQB)**

The AQB accomplished the following items in two public meetings in 2012:

### *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, was 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.

After considering input from its constituents, the AQB began exposing potential revisions to the AQB Criteria for public comment with its First Exposure Draft in October 2010. The AQB subsequently issued four additional exposure drafts over a period of approximately 15 months, each time carefully considering feedback received from its

constituents. In December 2011, the AQB adopted revisions to the AQB Criteria to become effective on January 1, 2015.

The AQB made considerable efforts to assist appraisers, State appraiser regulatory agencies, educators, and others, to properly understand and begin implementing the revisions necessary for the 2015 AQB Criteria.

### *State Licensing and Certification Examinations*

The AQB's National Uniform Licensing and Certification Examinations have been in effect for five years. The examinations are updated annually by the AQB's Subject Matter Experts (SMEs), vetted thoroughly by the AQB liaisons, and evaluated for psychometric performance by the Foundation's examination development consultant.

Overall national pass rates for first-time takers of the examinations had increased from 44 percent in 2008 to 79 percent in 2012, as reflected in the chart below. This dramatic increase was expected as more candidates received educational training commensurate with the 2008 AQB Criteria requirements which form the basis of the examinations.

### *Improved USPAP Instruction Program*

As discussed below, the AQB's sister Board, the ASB, adopted revisions to USPAP in April 2011, which became effective on January 1, 2012. This required AQB Certified USPAP Instructors to be familiar with the USPAP changes prior to teaching courses to practicing appraisers. In October 2011, the AQB began offering its online Instructor Recertification Course, which covered not only the changes made to the 2012-13 USPAP edition, but also highlighted Certified Instructors' requirements under the Foundation's Performance and Confidentiality agreements.

All Certified Instructors were required to complete the new Instructor Recertification Course prior to teaching the 2012-13 edition of the *National USPAP Courses*, and in any event, prior to March 31, 2012, in order to maintain their credentials. As of April 1, 2012, there were slightly more than 500 AQB Certified USPAP Instructors.

## 2008 through 2012 National Uniform Licensing and Certification Examination Pass Rates

	2008			2009			2010			2011			2012		
	#	Passed	Pass Rate	#	Passed	Pass Rate	#	Passed	Pass Rate	#	Passed	Pass Rate	#	Passed	Pass Rate
Licensed Residential	1,096	435	40%	872	464	53%	329	172	52%	191	117	61%	173	132	76%
Certified Residential	2,848	1,170	41%	3,146	1,805	57%	1,266	699	55%	770	540	70%	614	494	80%
Certified General	824	482	58%	772	439	57%	399	235	59%	391	287	73%	383	299	78%
Total	4,768	2,087	44%	4,790	2,708	56%	1,994	1,106	55%	1,352	944	70%	1,170	925	79%

<sup>1</sup>Data applies to First-Time Test Takers only.

<sup>2</sup>Because there is no Trainee exam, many States require Trainees to take the LR exam.

### National USPAP Courses

The AQB updated the *15-hour National USPAP Course* and *7-hour National USPAP Update Course*, both classroom and online versions, to reflect the changes in USPAP for 2012-13. The AQB will offer the courses through December 31, 2013. The Foundation developed functional specifications for the online courses, which allows other education providers to develop equivalent online National USPAP courses.

### 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. As of December 31, 2012, there were over 320 courses approved by the AQB through CAP, including courses that were approved as equivalent to the 2012-13 National USPAP Courses. The Foundation posts all approved courses on its website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). In addition, CAP offers a national course clearing-house website, which allows State appraiser regulators secure access to review course materials submitted for all CAP-approved courses.

### Appraisal Practices Board (APB)

The APB was initially constituted on July 1, 2010. Its purpose is to offer *voluntary* guidance on recognized valuation methods and techniques. The Foundation recognized that many professional appraiser organizations

provide quality education to their membership with respect to valuation methods and techniques. However, only about one-third of the State licensed and certified appraisers in the U.S. belong to a professional appraiser organization. As a result, the Foundation developed the APB to try and fill a void for the remaining majority of appraisers who may not be receiving adequate guidance. It is important to note that the APB does not *develop* new methods and techniques; rather, it identifies courses, texts, journals, and articles that *already exist* and attempts to create greater awareness of them for all appraisers.

The APB identifies SMEs with expertise in the specific subject matter under consideration. These SMEs identify publicly-available guidance on a particular topic and, in conjunction with Board Member Liaisons from the APB, draft guidance for the APB to review and consider for public exposure and comment. Based on feedback received, the APB may coordinate with the SMEs to address any questions or concerns that are raised. This process continues until the APB feels the guidance is appropriate and complete and the APB formally adopts it. The adopted guidance is available free-of-charge, on the website of the Foundation ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)).

The Foundation also opted to place its ongoing Valuation for Financial Resources (VFR) workgroup under the auspices of the APB. The VFR workgroup issues guidance related to the valuation of businesses and intellectual property; it does not address real property.

By December 31, 2012, the APB had issued Valuation Advisories adopting guidance on the following topics:

- APB Valuation Advisory #1: *Identification of Contributory Assets and Calculation of Economic Rents*;
- APB Valuation Advisory #2: *Adjusting Comparable Sales for Seller Concessions*; and
- APB Valuation Advisory #3: *Residential Appraising in a Declining Market*.

By December 31, 2012, the APB was in the process of developing guidance for the following additional real property topics:

- *Identifying Comparable Properties*;
- *Valuation of Green Buildings—Background Competence*; and
- *Collection and Verification of Sales Data*.

Due to the size and scope of the *Valuation of Green Buildings* project, the APB opted to break the topic into three separate advisories: *Background Competence*; *Valuation of Residential Green Buildings*; and *Valuation of Non-Residential Green Buildings*. The APB's guidance in this area will fulfill part of the Foundation's five-year *Memorandum of Understanding* with the U.S. Department of Energy. This effort is intended to increase the awareness and understanding that appraisers will need as the valuation of energy-efficient buildings takes on a greater and greater role in the real estate marketplace.

Lastly, the APB's VFR workgroup currently is in the process of developing guidance on the following business valuation-related topics:

- *Valuation of Customer-Related Assets*;
- *Control Premiums for Financial Reporting*; and
- *Contingent Consideration*.

### **Appraisal Standards Board (ASB)**

The ASB accomplished the following actions in three public meetings in 2012:

### ***Uniform Standards of Professional Appraisal Practice (USPAP)***

The 2012-13 edition of USPAP is effective from January 1, 2012 through December 31, 2013.

After updating USPAP with the revisions adopted for 2012-13, the ASB began examining what needed to be addressed for the 2014-15 edition of USPAP. The ASB issued multiple invitations to comment on the Board's proposed direction for the 2014-15 edition, and based on the feedback received, published three exposure drafts soliciting public comments for specific proposed changes to USPAP. After careful consideration of all comments received, the ASB will formally adopt revisions for the 2014-15 edition of USPAP at its public meeting on February 1, 2013.

The revisions being considered for the 2014-15 edition of USPAP (which would become effective on January 1, 2014) include:

- Retirement of STANDARDS 4 and 5 dealing with appraisal consulting;
- Revisions to the DEFINITIONS of "Assignment Results" and "Scope of Work";
- Revisions to Reporting Requirements, including the type and number of Report Options;
- Revisions to Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*;
- Revisions to the COMPETENCY RULE;
- Revisions to the PREAMBLE; and
- Revisions to Standards Rule 3-5.

In addition, the ASB anticipates adopting revisions to Advisory Opinion 13, *Performing Evaluations of Real Property Collateral to Conform with USPAP*, to reflect changes made to the *Interagency Appraisal and Evaluation*

*Guidelines* adopted by the federal financial institution regulatory agencies in December 2010. Any changes adopted by the ASB would become effective as of the date of adoption.

Lastly, the ASB also anticipates adopting revisions to Advisory Opinion 21, *USPAP Compliance*, which would become effective at the same time as the 2014-15 edition of USPAP.

### *Frequently Asked Questions (FAQ)*

The ASB continued its policy of issuing USPAP FAQs on an as-needed basis. As was done with prior editions of the USPAP publication, the 2014-15 edition of USPAP will incorporate the Frequently Asked Questions into the same document as USPAP and the Advisory Opinions, utilizing a master index for easy reference.

In addition, each of the 300+ FAQs will be reviewed, updated as appropriate to reflect adopted revisions to USPAP, and considered for consolidation or deletion if no longer deemed to provide a meaningful source of guidance.

### *National USPAP Courses*

The 15-hour National USPAP Course is designed for students entering the appraisal profession, and is a comprehensive overview of USPAP.

As with the prior edition, the 2014-15 edition of the 7-hour National USPAP Update Course will be designed to be more meaningful to practicing appraisers who are required to complete the course every two years. It will not only highlight the revisions to USPAP for 2014-15, but will also cover common issues that arise in day-to-day appraisal practice.

### *Improved USPAP Instruction Program*

The ASB continued to work with the AQB and the Foundation staff to improve course and examination material for the AQB Certified USPAP Instructor program. Based on current demand for USPAP Instructor Certification, the course is currently offered approximately once every two years.

To date, the ASB has presented the Instructor Certification Course to well over 1,000 students, with over 550 that obtained the credential of AQB Certified USPAP Instructor. As of December 31, 2012, there are slightly over 500 active Certified Instructors.

The Program also includes an Instructor Disciplinary Panel, which investigates complaints submitted relative to an AQB Certified USPAP Instructor's compliance with the provisions of the Program.

### **Board of Trustees (BOT)**

The Appraisal Foundation is led by a 24-member Board, charged with appointing members to its three independent Boards (AQB, APB, and ASB) as well as securing funding for and providing oversight of their activities. Ten members of the BOT are elected At-Large with the balance being appointed by the Foundation's Sponsoring Organizations and Advisory Councils. During 2012, Paul Bierschwale of Junction, Texas served as Chair and Steve Elliott of Boston, Massachusetts served as Vice Chair.

In 2012, the Foundation continued its progress on several projects that assist State appraiser regulatory agencies in their enforcement of USPAP or other initiatives:

**State Investigator Training Program:** This program represents a joint effort between the Foundation, the ASC and AARO. The program commenced in 2009, and by the end of 2012, 433 State regulators had received training on USPAP enforcement and investigative techniques.

**Free Video eLibrary:** This online library offers free video-taped training sessions of benefit to State appraiser regulators. Videos of interest that were added to the eLibrary in 2012 include Understanding the State Appraiser Regulatory System, The Appraisal Practices Board (APB): Its Role and Function and AQB Update: Revisions to the Real Property Appraiser Qualifications Criteria, effective 2015.

In addition, the Foundation also made progress on the following initiatives:

### *Strategic Plan Task Force*

The Strategic Plan Task Force, established in 2011, was charged with considering the Foundation's strategic direction as it moves into its next 25 years. The group met numerous times since its inception and the draft Strategic Plan was distributed to stakeholders in the summer of 2012 for commentary. The BOT adopted a number of sections to the Strategic Plan on November 3, 2012, including a section devoted to interaction with State and Federal Regulators.

### *Alliance on Valuation Education*

One component of the Strategic Plan was the recommendation that the Foundation consider a partnership with its Sponsors in the development of consistent, quality education. The National Education Partnership Task Force (Task Force) was established to study the feasibility of and logistics associated with the creation of such a partnership. The Task Force concluded that a partnership is feasible and recommended consideration of the creation of a separate organization known as the Alliance for Valuation Education (Alliance). With the conceptual approval of the BOT, the Task Force is fine tuning the details on the establishment and management of the partnership.

The Alliance would be a collaborative *voluntary* effort between the Foundation and its Sponsoring Organizations to develop quality and consistent education for valuation professionals. It is envisioned that the Alliance will be constituted in 2013.

The Alliance **would be:**

- A separate 501(c)(3) corporation;
- Governed by a seven member Board of Directors;
- Composed of the Foundation and its Sponsoring Organizations in good standing;
- Strictly voluntary;
- A course *developer*, not a course *provider*; and
- A course *wholesaler*, not a course *retailer*.

The Alliance **would not be:**

- part of the Foundation;
- a Sponsor competitor (courses will enhance the Sponsor catalogues not compete with them); and
- a course provider (courses will be presented by the Sponsors and will be available to all other valuation education providers).

More information on the Foundation and its activities can be found at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).



# Financial Status of the ASC

In fiscal year 2012 (FY2012), the ASC's revenue totaled approximately \$3 million, and expenses (including grants to the Foundation) totaled approximately \$3.1 million. All funds used for grants to the Foundation are derived from National Registry fees<sup>20</sup> that every licensed and certified appraiser is required to pay on an annual basis.

Appendix A contains the ASC's audited financial statements for FY2012, ending September 30, 2012. The ASC operated at a financial loss of approximately \$96,000. The ASC determined that operating at a loss during FY2012 was not inappropriate given the important Title XI-related initiatives funded through the annual grant to the Foundation and the resources necessary to operate an effective Compliance Review process. Moreover, the ASC had reserves of over \$3.6 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.

---

<sup>20</sup> The annual National Registry fee was increased from \$25 to \$40 effective January 1, 2012.





# Appendix A

## *Financial Statements*

**Appraisal Subcommittee Financial Statements**  
**September 30, 2012 and 2011**

# APPRAISAL SUBCOMMITTEE

## Financial Statements

September 30, 2012 and 2011

### CONTENTS

<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statements of Operations and Changes in Net Position	3
Statements of Cash Flows	4
Notes to the Financial Statements	5-9
<b>Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	10-11



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Appraisal Subcommittee as of September 30, 2012 and 2011, 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, 2012 and 2011, and the changes in its net position 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 December 31, 2012 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 grant agreements and other matters. 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 and Drew, P.C.*  
Certified Public Accountants

Braintree, MA 02184

December 31, 2012

# APPRAISAL SUBCOMMITTEE

## Statements of Financial Position

September 30,

### Assets

	<u>2012</u>	<u>2011</u>
<b>Current Assets:</b>		
Fund balances with U.S. Treasury	\$ 5,109,786	\$ 5,243,951
Restricted fund balances with U.S. Treasury	242,972	-
Accounts receivable	<u>494,202</u>	<u>353,486</u>
<b>Total Current Assets</b>	<b><u>5,846,960</u></b>	<b><u>5,597,437</u></b>
<b>Property and equipment, net</b>	<b><u>76,928</u></b>	<b><u>113,428</u></b>
<b>Total Assets</b>	<b><u>\$ 5,923,888</u></b>	<b><u>\$ 5,710,865</u></b>

### Liabilities and Net Position

<b>Current Liabilities:</b>		
Accounts payable	\$ 33,926	\$ 35,287
Grants payable	279,104	508,902
Accrued expenses	262,898	240,870
Deferred revenues	<u>1,350,483</u>	<u>1,137,250</u>
<b>Total Current Liabilities</b>	<b><u>1,926,411</u></b>	<b><u>1,922,309</u></b>
<b>Non-Current Liabilities:</b>		
Deferred revenues	72,107	10,450
Restricted funds held for others	<u>242,972</u>	<u>-</u>
<b>Total Non-Current Liabilities</b>	<b><u>315,079</u></b>	<b><u>10,450</u></b>
<b>Total Liabilities</b>	<b><u>2,241,490</u></b>	<b><u>1,932,759</u></b>
<b>Net Position</b>	<b><u>3,682,398</u></b>	<b><u>3,778,106</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 5,923,888</u></b>	<b><u>\$ 5,710,865</u></b>

*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>2012</u>	<u>2011</u>
<b>Registry Fees</b>	<b><u>\$ 3,020,390</u></b>	<b><u>\$ 2,640,425</u></b>
<b>Operating Expenses:</b>		
Personnel compensation and benefits	1,566,528	1,518,264
Rent, communications and utilities	276,740	262,817
Contracted services	244,442	227,647
Travel and transportation	147,952	163,682
Depreciation	76,484	76,883
Supplies and materials	30,903	22,265
Printing and reproduction	25,730	23,156
Other	<u>18,349</u>	<u>8,175</u>
<b>Total Operating Expenses</b>	<b><u>2,387,128</u></b>	<b><u>2,302,889</u></b>
Appraisal Foundation Grant	<u>728,970</u>	<u>1,363,122</u>
<b>Changes in Net Position</b>	<b>(95,708)</b>	<b>(1,025,586)</b>
Net Position, Beginning of Year	<u>3,778,106</u>	<u>4,803,692</u>
<b>Net Position, End of Year</b>	<b><u>\$ 3,682,398</u></b>	<b><u>\$ 3,778,106</u></b>

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

# APPRAISAL SUBCOMMITTEE

## Statements of Cash Flows

For the Years Ended September 30,

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net position	<u>\$ (95,708)</u>	<u>\$ (1,025,586)</u>
Adjustments to reconcile changes in net position to net cash provided by (applied to) operating activities:		
Depreciation	76,484	76,883
Change in assets and liabilities:		
Accounts receivable	(140,716)	(19,085)
Accounts payable	(1,361)	(1,952)
Grants payable	(229,798)	187,370
Deferred revenues	274,890	(70,475)
Accrued expenses	22,028	8,341
Restricted funds held for others	<u>242,972</u>	<u>-</u>
Total Adjustments	<u>244,499</u>	<u>181,082</u>
Net Cash Provided by (Applied to) Operating Activities	<u>148,791</u>	<u>(844,504)</u>
<b>Cash Flow from Investing Activity:</b>		
Purchase of property and equipment	<u>(39,984)</u>	<u>(6,156)</u>
<b>Net Increase (Decrease) in Fund Balances with U.S. Treasury</b>	<b>108,807</b>	<b>(850,660)</b>
Fund Balances with U.S. Treasury, Beginning of Year	<u>5,243,951</u>	<u>6,094,611</u>
<b>Fund Balances with U.S. Treasury, End of Year</b>	<b><u>\$ 5,352,758</u></b>	<b><u>\$ 5,243,951</u></b>

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

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements

September 30, 2012 and 2011

### 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 ensure that the Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with Federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. In accordance with Title XI of FIRREA, an appraiser must be registered to perform appraisals connected to federal transactions. Effective January 1, 2012, ASC raised the annual fee assessed to the states from \$25 per registered appraiser to \$40.

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

#### 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, as prescribed by the Federal Accounting Standards Advisory Board (FASAB) Statements and Interpretations, as well as AICPA and FASB pronouncements specifically made applicable to federal governmental entities by FASAB Statements or Interpretations.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2012 and 2011

### 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 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.

#### Restricted Fund Balances with U.S. Treasury

Restricted fund balances with the U.S. Treasury are amounts restricted by law that the Appraisal Subcommittee received in conjunction with the fee increase, as permitted by the Dodd-Frank Act. These funds directly relate to 25% of the fee increase, which Congress did not specify were available for use by the Appraisal Subcommittee. Accordingly these funds have been classified as a liability on the statement of financial position.

#### Accounts Receivable

Accounts receivable consist 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. The capitalization threshold is \$5,000 for assets with a useful life of 3 or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least three years and have an aggregate value of \$15,000 or more.

#### Deferred Revenues

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



# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2012 and 2011

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

*Tax Status*

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

Note 2 - **Property and Equipment**

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

	<u>2012</u>	<u>2011</u>
Computer equipment	\$ 411,999	\$ 372,015
Furniture	<u>31,803</u>	<u>31,803</u>
	443,802	403,818
Less: accumulated depreciation	<u>366,874</u>	<u>290,390</u>
Net Property and Equipment	\$ <u>76,928</u>	\$ <u>113,428</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 1 percent of salary is contributed by the employee.

The Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees Retirement System. Contributions by the Appraisal Subcommittee during fiscal years 2012 and 2011 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$183,000 and \$182,000, respectively.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2012 and 2011

Note 3 - **Retirement and Benefit Plans - Continued**

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.

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 \$17,215,000 was expended through September 30, 2012. As of September 30, 2012, the Appraisal Subcommittee has \$279,104 in undistributed grant funding available to the Foundation for the grant year ending September 30, 2012, 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, including operating costs and real estate taxes, expiring September 2018. Payments are due monthly, as billed by GSA. Base rent expense totaled \$225,900 and \$207,850 for the years ended September 30, 2012 and 2011, respectively. Although the ultimate responsibility of the lease is that of the GSA, the Memorandum of Understanding is a lease agreement, in substance rather than form.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2012 and 2011

Note 5 - **Interagency Transactions - Continued**

Minimum future payments under the agreement subsequent to September 30, 2012 are as follows:

<u>Fiscal Years</u> <u>Ending September 30,</u>	<u>Amount</u>
2013	\$ 212,856
2014	221,781
2015	222,633
2016	222,633
2017	222,633
Thereafter	<u>222,633</u>
	\$ <u>1,325,169</u>

In conducting its administrative operations, the Appraisal Subcommittee uses the services of various other Federal Agencies. The largest of the administrative service arrangements is with the U.S. General Services Administration for certain accounting and reporting functions, and processing of payroll and related benefits. Operating expenses of the Appraisal Subcommittee for fiscal years ended 2012 and 2011 include approximately \$50,000 and \$54,000, respectively, for these services.

Note 6 - **Concentrations and Contingencies**

**Subsequent Events**

Management has evaluated subsequent events through December 31, 2012, 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  
Washington, DC 20005

We have audited the financial statements of the Appraisal Subcommittee as of and for the year ended September 30, 2012, and have issued our report thereon dated December 31, 2012. 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**

Management of the Appraisal Subcommittee is responsible for establishing and maintaining effective 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 Appraisal Subcommittee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Appraisal 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.

*O'Connor and Drew, P.C.*

**Certified Public Accountants**

Braintree, MA 02184

December 31, 2012

# Appendix B

## *Statutory References*

### Unofficial ASC staff version of Title XI of FIRREA Real Estate Appraisal Reform [12 U.S.C. §§ 3331-3351] as amended by the Dodd-Frank Act

Full text of the Dodd-Frank Act at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

#### **§ 1101. Purpose** [12 U.S.C. § 3331]

The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

#### **§ 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council** [12 U.S.C. § 3310]

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

#### **§ 1011. Establishment of Appraisal Subcommittee**

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

#### **§ 1103. Functions of Appraisal Subcommittee** [12 U.S.C. § 3332]

- (a) *In general.* The Appraisal Subcommittee shall—
- (1) monitor the requirements established by States—
    - (A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
    - (B) for the registration and supervision of the operations and activities of an appraisal management company;
  - (2) monitor the requirements established by the Federal financial institutions regulatory agencies [and the Resolution Trust Corporation] with respect to—
    - (A) appraisal standards for federally related transactions under their jurisdiction, and
    - (B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;
  - (3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;
  - (4) [Omitted] terminated effective May 15, 2000, pursuant to § 3003 of Act Dec. 21, 1995, P.L. 104-66, which appears as 31 USCS § 1113 note (see also page 170 of House Document No. 103-7);
  - (5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities

of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance; and

- (6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

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

**§ 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings**  
[12 U.S.C. § 3333]

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

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

**§ 1105. Officers and staff** [12 U.S.C. § 3334]

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

**§ 1106. Powers of Appraisal Subcommittee**  
[12 U.S.C. § 3335]

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

**§ 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers**  
[12 U.S.C. § 3336]

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

**§ 1108. Startup funding** [12 U.S.C. § 3337]

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



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

(c) *Repayment of Treasury loan.* Not later than September 30, 1998, the Appraisal Subcommittee shall repay to the Secretary of the Treasury the unpaid portion of the \$5,000,000 paid to the Appraisal Subcommittee pursuant to this section.

**§ 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees**  
[12 U.S.C. § 3338]

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

- (1) transmit to the Appraisal Subcommittee, no less than annually, a roster listing individuals who have received a State certification or license in accordance with this title;
- (2) transmit reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, license and certification revocations, and license and certification suspensions on a timely basis to the national registry of the Appraisal Subcommittee;
- (3) transmit reports on a timely basis of supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and disciplinary actions taken; and
- (4) collect—
  - (A) from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$40, such fees to be transmitted by the State agencies to the Council on an annual basis; and
  - (B) from an appraisal management company that either has registered with a State appraiser certifying and licensing agency in accordance with this title or operates as a subsidiary of a federally regulated financial institution, an annual registry fee of—

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

(ii) in the case of such a company that has not been in existence for more than a year, \$25 multiplied by an appropriate number to be determined by the Appraisal Subcommittee, and where such number will be used for determining the fee of all such companies that were not in existence for more than a year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title.

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

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

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

- (2) to support its activities under this title;
- (3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month start-up period following the date of the enactment of this title [enacted Aug. 9, 1989];
- (4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards;
- (5) to make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the Appraisal Subcommittee, to support the efforts of such agencies to comply with this title, including—
  - (A) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and
  - (B) the submission of data on State licensed and certified appraisers and appraisal management companies to the National appraisal registry, including information affirming that the appraiser or appraisal management company meets the required qualification criteria and formal and informal disciplinary actions; and
- (6) to report to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked, or suspended.

**§ 1110. Functions of Federal financial institutions regulatory agencies relating to appraisal standards** [12 U.S.C. § 3339]

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

- (1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation;
- (2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determi-

- nation in writing that such additional standards are required in order to properly carry out its statutory responsibilities; and
- (3) that such appraisals shall be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

**§ 1111. Time for proposal and adoption of standards** [12 U.S.C. § 3340]

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

**§ 1112. Functions of Federal financial institutions regulatory agencies relating to appraiser qualifications** [12 U.S.C. § 3341]

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

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

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

- (1) GAO studies. The Comptroller General of the United States may conduct, under such conditions as the Comptroller General determines appropriate, studies on the adequacy and quality of appraisals or evaluations conducted in connection with real estate

related financial transactions below the threshold level established under subsection (b), taking into account—

- (A) the cost to any financial institution involved in any such transaction;
  - (B) the possibility of losses to the Deposit Insurance Fund or the National Credit Union Share Insurance Fund;
  - (C) the cost to any customer involved in any such transaction; and
  - (D) the effect on low-income housing.
- (2) *Reports to Congress and the appropriate Federal financial institutions regulatory agencies.* Upon completing each of the studies referred to in paragraph (1), the Comptroller General shall submit a report on the Comptroller General's findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

**§ 1113. Transactions requiring the services of a State certified appraiser** [12 U.S.C. § 3342]

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

- (1) a State certified appraiser shall be required for all federally related transactions having a value of \$1,000,000 or more; and
- (2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser, where a complex 1-to-4 unit single family residential appraisal means an appraisal for which the property to be appraised, the form of ownership, the property characteristics, or the market conditions are atypical.

**§ 1114. Transactions requiring the services of a State licensed appraiser** [12 U.S.C. § 3343]

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

**§ 1115. Time for proposal and adoption of rules** [12 U.S.C. § 3344]

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

**§ 1116. Certification and licensing requirements** [12 U.S.C. § 3345]

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

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

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

(d) *Additional qualification criteria.* Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such

additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

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

**§ 1117. Establishment of State appraiser certifying and licensing agencies** [12 U.S.C. § 3346]

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

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

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

- (1) has policies, practices, funding, staffing, and procedures that are consistent with this title;
- (2) processes complaints and completes investigations in a reasonable time period;
- (3) appropriately disciplines sanctioned appraisers and appraisal management companies;
- (4) maintains an effective regulatory program; and
- (5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.

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

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

- (1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;
- (2) the State agency is not granted authority or sufficient funding by the State which is adequate to permit the agency to carry out its functions under this title; or
- (3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

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

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

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

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

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

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

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

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

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

such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

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

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

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

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

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) [12 USCS § 3350(5)] to which such association or corporation is a party.

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

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

## § 1121. Definitions [12 U.S.C. § 3350]

For purposes of this title:

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

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

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

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

- (A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and
- (B) requires the services of an appraiser.

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

- (A) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;
- (B) the refinancing of real property or interests in real property; and
- (C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(6) *Federal financial institutions regulatory agencies*. The term “Federal financial institutions regulatory agencies” means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the

Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

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

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

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

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

(11) *Appraisal Management Company*.—

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

- (A) to recruit, select, and retain appraisers;
- (B) to contract with licensed and certified appraisers to perform appraisal assignments;
- (C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from

creditors and underwriters for services provided, and reimbursing appraisers for services performed; or (D) to review and verify the work of appraisers.

**§ 1122. Miscellaneous provisions**  
[12 U.S.C. § 3351]

(a) *Temporary practice.*

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

- (A) the property to be appraised is part of a federally related transaction,
- (B) the appraiser's business is of a temporary nature, and
- (C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.

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

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

- (1) the appraiser licensing and certification program of such other State is in compliance with the provisions of this title; and
- (2) the appraiser holds a valid certification from a State whose requirements for certification or licensing meet or exceed the licensure standards established by the State where an individual seeks appraisal licensure.

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

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

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

- (1) the assistant is under the direct supervision of a licensed or certified individual; and
- (2) the final appraisal document is approved and signed by an individual who is certified or licensed.

(f) *Studies.*

- (1) *Study.* The Appraisal Subcommittee shall—
  - (A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and
  - (B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.
- (2) *Report.* The Appraisal Subcommittee shall— (A) report its findings to the Congress with respect to the study described in paragraph (1)(A) no later than 12 months after the date of the enactment of this title [enacted Aug. 9, 1989], and (B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later than 18 months after the date of the enactment of this title [enacted Aug. 9, 1989].

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

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

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

### **§ 1123. Emergency exceptions for disaster areas** [12 U.S.C. § 3352]

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

- (1) makes the exception not later than 30 months after the date on which the President determines, pursu-

ant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], that a major disaster exists in the area; and

- (2) determines that the exception—
  - (A) would facilitate recovery from the major disaster; and
  - (B) is consistent with safety and soundness.

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

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

- (1) describes any exception made under this section; and
- (2) explains how the exception—
  - (A) would facilitate recovery from the major disaster; and
  - (B) is consistent with safety and soundness.

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

### **§ 1124. Appraisal Management Company Minimum Requirements** [12 U.S.C. § 3353]

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

- (1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;
- (2) verify that only licensed or certified appraisers are used for federally related transactions;
- (3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and



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

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

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

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

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

(f) *Effective Date.*—

(1) *In general.*—No appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months

after the date on which the regulations required to be prescribed under subsection (a) are prescribed in final form unless such company is registered with such State or subject to oversight by a Federal financial institutions regulatory agency.

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

### **§ 1125. Automated Valuation Models Used to Estimate Collateral Value for Mortgage Lending Purposes** [12 U.S.C. § 3354]

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

- (1) ensure a high level of confidence in the estimates produced by automated valuation models;
- (2) protect against the manipulation of data;
- (3) seek to avoid conflicts of interest;
- (4) require random sample testing and reviews; and
- (5) account for any other such factor that the agencies listed in subsection (b) determine to be appropriate.

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

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

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

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

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

**§ 1126. Broker Price Opinions**  
[12 U.S.C. § 3355]

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

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

**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

## *2012 Compliance Review Findings*

### *2010–2012 Compliance Review Findings*

<b>Areas of Non-Compliance</b>			
<b>Requirement/Guidance Areas</b>	<b>2012 27 States Reviewed</b>	<b>2011 27 States Reviewed</b>	<b>2010 26 States Reviewed</b>
Statutes, Regulations, Policies and Procedures:	6	4	2
Temporary Practice:	2	0	0
National Registry:	0	0	0
Application Process:	6	2	4
Reciprocity:	0	0	0
Education:	6	0	2
Enforcement:	23	18	19
<b>State Compliance Status</b>			
	<b>2012 27 States Reviewed</b>	<b>2011 27 States Reviewed</b>	<b>2010 26 States Reviewed</b>
In Substantial Compliance	8	15	9
Not in Substantial Compliance	19	11	17
Not in Compliance	0	1	0

The table above documents the 2010, 2011, and 2012 Compliance Review findings by requirement and areas of guidance.

### *State Compliance Status By Review Cycle 2007 – 2012*

	<b>2011-2012 Review Cycle</b>	<b>2009-2010 Review Cycle</b>	<b>2007-2008 Review Cycle</b>
Number States Reviewed	54	58	56
In Substantial Compliance	23	23	9
Not in Substantial Compliance	30	35	46
Not in Compliance	1	0	1
% In Substantial Compliance	43%	40%	16%

*State Compliance Review Finding Descriptions*

“ASC Finding” Defined for ASC Compliance Review Report
1. <b>IN SUBSTANTIAL COMPLIANCE:</b> Applies when no issues of non-compliance or violations of Title XI, ASC Policy Statements or AQB Criteria are identified.
2. <b>NOT IN SUBSTANTIAL COMPLIANCE:</b> Applies when there are one or more issues of non-compliance or violations of Title XI, ASC Policy Statements and/or AQB Criteria but the concerns do not rise to the level of “not in compliance.”
3. <b>NOT IN COMPLIANCE:</b> Applies when the number, seriousness, and/or repetitiveness of the Title XI, ASC Policy Statements and/or AQB Criteria violations warrant this finding.

**ASC Compliance Report Descriptions:** Below is a guideline for reporting of the States compliance determination for “Yes,” “No” and “Area of Concern (AC)” in the ASC Final and Preliminary Compliance Review Report.

**No**—Applies when the identified area is not in compliance with Title XI, ASC Policy Statements or AQB Criteria. “No” also applies when the State has not completely resolved the concern. A “No” finding may be changed to a “Yes” from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State completely resolves the violation and ASC staff has validated the change. May be changed to an AC from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State reports they resolved the violation, however, ASC staff has not validated the action(s).

**Area of Concern (AC)**—Applies when an area is identified as technically in compliance, however ASC staff identified something that, if continued, could cause the Program to become out of compliance. As an example,

the State’s regulations do not require AQB Criteria for continuing education. The State, however, is in compliance by practice. The concern is that a legal challenge of the State could result in an appraiser being renewed under the erroneous regulation. An AC applies when ASC staff has identified best practice suggestions that could strengthen the Program. The finding may be changed to a “Yes” from the Preliminary Compliance Review Report to the Final Compliance Review Report if the State’s action resolves the concern and ASC staff has validated the action(s). As an example, the State amended and adopted the regulation to meet AQB Criteria and provided documentation showing the adoption was finalized. An AC will remain if ASC staff is unable to verify the State’s reported remedy. Therefore, if the State reports that a remedy is in place and provides documents showing the new process, but ASC staff cannot validate that the State is actually using the new process, it will remain an AC until the next Review.

**Yes**—Applies when the State is in compliance in the area and ASC staff has not recommended State actions.

*2012 Compliance Review Summary*

<b>State</b>	<b>Date of Review</b>	<b>ASC Finding</b>	<b>Review Cycle</b>
Puerto Rico	January	In Substantial Compliance	Two-Year
Alabama	January	Not In Substantial Compliance	Two-Year with Follow-up
Georgia	February	In Substantial Compliance	Two-Year
Maryland	February	Not In Substantial Compliance	Two-Year with Follow-up
Louisiana	March	Not In Substantial Compliance	Two-Year with Follow-up
Arkansas	March	Not In Substantial Compliance	Two-Year
New Jersey	March	Not In Substantial Compliance	Two-Year with Follow-up
Connecticut	April	In Substantial Compliance	Two-Year
Arizona	April	Not In Substantial Compliance	Two-Year
Pennsylvania	May	Not In Substantial Compliance	Two-Year with Follow-up
Texas	May	Not In Substantial Compliance	Two-Year
Washington	May	Not In Substantial Compliance	Two-Year
Nevada	June	Not In Substantial Compliance	Two-Year
Massachusetts	June	Not In Substantial Compliance	Two-Year
Michigan	June	Not In Substantial Compliance	Two-Year
Montana	June	Not In Substantial Compliance	Two-Year
North Dakota	July	In Substantial Compliance	Two-Year
Oregon	July	In Substantial Compliance	Two-Year
Minnesota	July	Not In Substantial Compliance	Two-Year
Missouri	August	Not In Substantial Compliance	Two-Year with Follow-up
South Dakota	August	In Substantial Compliance	Two-Year
Colorado	September	In Substantial Compliance	Two-Year
North Carolina	September	In Substantial Compliance	Two-Year
California	October	Not In Substantial Compliance	Two-Year
Vermont	November	Not In Substantial Compliance	Two-Year
Virgin Islands	December	Not In Substantial Compliance	Two-Year with Follow-up
West Virginia	December	Not In Substantial Compliance	Two-Year



# Appendix D

## *National Appraiser Credential 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.*

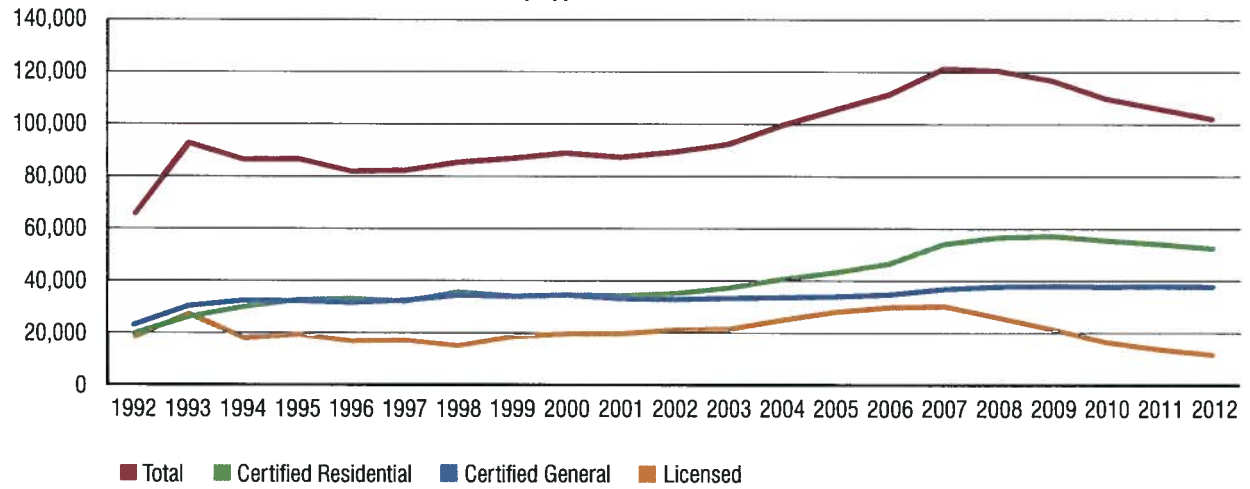
### **National Registry Credentials—Year-End 1992–2012**

<b>Year-End</b>	<b>Certified General</b>	<b>Certified Residential</b>	<b>Licensed</b>	<b>Transitional</b>	<b>Total</b>
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
2011	38,016	54,201	13,900	13	106,130
2012	37,834	52,504	11,875	12	102,225

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.

## National Registry Credentials

### Yearly Appraiser Credential Trends





# Appendix E

## *Tools for Monitoring State Compliance with Title XI*

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



# Appendix F

## *Appraiser Disciplinary Actions Reported by States<sup>21</sup>*

January 1, 1991 through December 31, 2012

State or US Territory	Revocation	Suspension	Voluntary Surrender	Downgrade	Probation	Fine	Additional Education	Official Reprimand	Warnings, Corrective Actions	Other	Total
Alabama	11	47	18	4	7	24	10	17		17	155
Alaska	1	1	4		6	7	4		3		26
Arizona	40	27	47	1	84		1	2		380	582
Arkansas	9	23	8	2	160	7	32		8	74	323
California	159	73	129	1	90	884	153	1	140	43	1,673
Colorado	38	58	105	3	43	205	182	1	2	11	648
Connecticut	6	6	7			144	36	1		6	206
Delaware	1	13			8	5	14	13			54
District Of Columbia	2	5			9	23	3	2			44
Florida	290	216	49	1	631	610	158	6	4		1,965
Georgia	310	147	31							443	931
Hawaii	3					14	5		1		23
Idaho	6	18	10		73	167	119	4	4	41	442
Indiana	149	127	14		207	26	19	81	4	960	1,587
Iowa	17	8	35		54	47	138	20	4	6	329
Kansas	33	16	16	1	105	81	175		18		445
Kentucky	3	46	20	1	2	167	99		5	9	352
Louisiana	2	13				23			24		62
Maine	26	19	8		15	113	64	65	21	6	337
Maryland	14	40	4			87	40	13	1	2	201
Massachusetts	35	26	83		115	131	10	203	6		609
Michigan	98	30	7		35	428	152				750
Minnesota	67	66			1	332	36	28	21	18	569
Mississippi	10	18	5		26		49	2	1	279	390
Missouri	109	145	19		279			2	2	61	617
Montana	10	10	5		26	46	39	6		2	144
Nebraska	1	6	21	3	9	2	70		3	34	149
Nevada	40	26	42	13	10	107	154		3	5	400
New Hampshire	3	12	5			63	44	9			136
New Jersey	17	74	18	2	39	186	54	76	5		471
New Mexico	15	7	2		3	32	73	12	14		158

State or US Territory	Revocation	Suspension	Voluntary Surrender	Downgrade	Probation	Fine	Additional Education	Official Reprimand	Warnings, Corrective Actions	Other	Total
New York	145	96	1			163	37	1	49	5	497
North Carolina	17	185	56	1		3	208	80	6	1	557
North Dakota	2	6	5	2	12	1	17	2		1	48
Ohio	30	171	21			177	275	9	75		758
Oklahoma	378	194	20	3	17	151	40	3	4	13	823
Oregon	17	41	31			351	34	27	7	25	533
Pennsylvania	8	55	28		38	266	200	16			611
Puerto Rico		2				8	2			8	20
Rhode Island	8	6	2			16	11			2	45
South Carolina	16	18	15	7	73	137	55	82	3		406
South Dakota	6	16	4			54	51	51	3	4	189
Tennessee	13	37	13	5	28	174	175	8	76	44	573
Texas	93	72	64		118	222	381	14	6	28	998
Utah	19	8	33	7	13	166	75			22	343
Vermont	2	7	2		2	4	8		23	7	55
Virginia	32	87	5		2	8	4		123	1	262
Washington	60	48	5		94	78	20	2	34	1	342
West Virginia	4	30	1		25	39	38	11	6	4	158
Wisconsin	17	71	52		8	128	233	115	12	13	649
Wyoming	1	1	5		6	6	5			4	28
<b>Total</b>	<b>2,553</b>	<b>2,592</b>	<b>1,083</b>	<b>58</b>	<b>2,496</b>	<b>6,216</b>	<b>3,815</b>	<b>996</b>	<b>1,404</b>	<b>2,587</b>	<b>23,800</b>

<sup>21</sup> Public disciplinary actions on the National Registry are those State actions currently in effect that affect an appraiser's ability to appraise: revocations, suspensions, or voluntary surrenders in lieu of discipline. No disciplinary actions have been reported by Guam, Mariana Islands or Virgin Islands.