

APPRAISAL SUBCOMMITTEE  
*Federal Financial Institutions Examination Council*

ANNUAL  
REPORT  
2016



# Letter of Transmittal

June 14, 2017

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 2016 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,

A handwritten signature in cursive script, appearing to read "Arthur Lindo".

Arthur Lindo  
Chairman



# Table of Contents

- Introduction . . . . . 7
- Message from the Chair . . . . . 9
- ASC Member Representatives . . . . . 11
- Administration of the Appraisal Subcommittee . . . . . 13
- ASC Meeting Procedures . . . . . 13
- State Appraiser Regulatory Program Oversight . . . . . 15
- Appraisal Foundation Monitoring and Oversight . . . . . 17
- ASC Grants . . . . . 19
- Appraiser Registry . . . . . 21
- Appraisal Complaint National Hotline . . . . . 23
- Activities of the ASC Member Agencies . . . . . 25
- Interagency Activity . . . . . 27
- Member Agency Activity . . . . . 29
- Activities of the Appraisal Foundation . . . . . 31
- Financial Status of the ASC . . . . . 33
- Appendix A—*Financial Statements* . . . . . 37
- Appendix B—*2016 Compliance Review Findings* . . . . . 53
- Appendix C—*National Appraiser Credential Statistics* . . . . . 57
- Appendix D—*Tools for Monitoring State Compliance with Title XI* . . . . . 59
- Appendix E—*Appraiser Disciplinary Actions Reported by States* . . . . . 61
- Appendix F—*Appraisal Complaint National Hotline* . . . . . 63
- Appendix G—*Agency Complaint Data* . . . . . 65
- Appendix H—*Reference Materials* . . . . . 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 regulatory framework 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—
  - for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
  - for the registration and supervision of the operations and activities of appraisal management companies (AMCs)
- monitor the requirements established by the Federal financial institutions regulatory agencies with respect to—
  - appraisal standards for federally related transactions under their jurisdiction; and
  - determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser

- maintain a National Registry of State certified and licensed appraisers (Appraiser Registry) who are eligible to perform appraisals in federally related transactions
- establish and operate an appraisal complaint national hotline, including a toll-free telephone number and email address, for the referral of complaints concerning alleged violations of appraisal independence standards and/or Uniform Standards of Professional Appraisal Practice (USPAP)
- maintain a National Registry of AMCs (AMC Registry) that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution<sup>4</sup>
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (Foundation)
- transmit an annual report to Congress not later than June 15 of each year that describes the way each function assigned to the ASC has been carried out during the preceding year

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<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 under the interagency appraisal rules. [(Title XI § 1121 (4), 12 U.S.C. § 3350), implemented by the OCC: 12 CFR 34.42(f) and 34.43(a); Board: 12 CFR 225.62(f) and 225.63(a); FDIC: 12 CFR 323.2(f) and 323.3(a); and NCUA: 12 CFR 722.2(f) and 722.3(a)]. Based on 2014 Home Mortgage Disclosure Act (HMDA) data, at least 90 percent of residential mortgage loan originations are not subject to the Title XI appraisal regulations. (FFIEC report to Congress, *Economic Growth and Regulatory Paperwork Reduction Act*, 82 *Federal Register* 15900 (March 30, 2017)).

<sup>4</sup> The AMC 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)
- make grants to State appraiser certifying and licensing agencies in accordance with policies developed by the ASC to support the efforts of such agencies to comply with Title XI, including—
  - the complaint process, complaint investigations, and appraiser enforcement activities of such agencies
  - the submission of data on State licensed and certified appraisers and AMCs to the Appraiser Registry and the AMC Registry, including information affirming that appraisers or AMCs meet required qualification criteria, and information on formal and informal disciplinary actions
  - reporting to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked or suspended

An unofficial ASC staff version of Title XI as amended by the Dodd-Frank Act is in Appendix H.

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



# Message from the Chair

2016 was a productive and eventful year for the Appraisal Subcommittee. One of the ASC's core functions under Title XI is to monitor the requirements established by the States for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions. The ASC continued to implement enhancements to its Compliance Review process of the State appraiser regulatory programs (State Programs). No less than every two years, the ASC performs a Compliance Review of each State Program to determine the extent of compliance with Title XI and implementation of the *AQB Real Property Appraiser Qualification Criteria* (AQB Criteria).

In 2016, the ASC reviewed 25 State Programs. Continuing a trend starting in 2014, State Programs improved their overall compliance with Title XI. At the conclusion of 2016, there were 18 States rated as Excellent, 23 Good and 14 Needs Improvement. No States were rated as Not Satisfactory or Poor. With 75% of the State Programs being rated as Excellent or Good, we have a clear indication that most, if not all, States make significant efforts to achieve an Excellent rating. Although there is still room for improvement, these results are a good indication that most States have a clear understanding of Title XI requirements and follow ASC guidance on how to achieve compliance with Title XI requirements.

As a result of Dodd-Frank Act amendments to Title XI, in May 2016, the ASC published its first proposed rule in over 20 years. The rule would implement the statutory requirement to establish a fee structure for the National Registry of AMCs. The ASC received 104 comments and is considering each of those comments in preparation of the final rule, planned for publication in 2017. The rule would put in place mechanisms to allow those States with an AMC regulatory program to transmit AMC National Registry fees to the ASC. The AMC National Registry framework is complete and will be ready to populate with data in line with the effective date of the final rule.

Throughout 2016, the ASC continued to prepare for the implementation of the appraiser unique identification number (UID). The UID will permit any user of the

National Appraiser Registry to see a nationwide view of all credentials held by a single appraiser regardless of which State license or certification number is searched.

The UID has 3 main objectives:

- Eliminate the transmission of personally identifiable information
- Promote consistent appraiser information on the National Appraiser Registry
- Improve the information sharing between all users of the National Appraiser Registry

The UID project will improve the efficiency and ease of use of the National Appraiser Registry. With the implementation of the UID, the ASC will be able to more accurately identify how many individual real property appraisers are credentialed. The total number of active appraiser credentials on the National Appraiser Registry as of December 31, 2016, was 96,856; this number represents the total number of licenses and certifications, but does not reflect the number of individual appraisers as many appraisers are credentialed in multiple States. The number of appraisal credentials is down from 98,351 on December 31, 2015, a drop of 2.2%.

The ASC greatly appreciates the contributions of the many officials from State Programs who worked on this project and who continually work with the ASC to help improve various aspects of the appraiser information included on the National Appraiser Registry for the benefit of the numerous stakeholders who rely on State licensed and certified appraisers.

The ASC continued to monitor and review the activities of the Appraisal Foundation (Foundation). In carrying out its monitoring duties, ASC staff regularly attends the meetings of the Appraiser Qualifications Board (AQB), Appraisal Standards Board (ASB), Appraisal Practices Board (APB), and the Board of Trustees (BOT). From time to time, the ASC or its staff may comment publicly on Foundation activities as they relate to the use of ASC grant funds or actions that impact federally related transactions. The ASC regularly reviews the Foundation's use

of grant funds to ensure the funds are used to help defray costs for grant eligible activities of the AQB and ASB. For fiscal year 2016, the ASC awarded the Foundation \$350,000.

The ASC also funded State grants, administered by the Foundation, in the amount of \$255,024, for the development and support of investigator training courses for State Program personnel. The investigator training courses provide education resources to States in support of their investigative processing of complaints against appraisers. The courses promote best practices in complaint investigation and resolution and cover topics such as USPAP and proper investigative techniques. In 2016, 110 State employees attended the training, with over 800 attendees over the past seven years. This training was initially developed jointly by the Foundation, the Association of Appraiser Regulatory Officials (AARO) and the ASC. This specialized training has proven to be invaluable to the States and is likely related to the continued improvement in Title XI compliance by State Programs. The ASC is also exploring other beneficial educational opportunities for the States.

The ASC continued to operate its Appraisal Complaint National Hotline (Hotline). The Hotline incorporates a toll-free telephone number, e-mail address, and website for referring complainants to the appropriate State or

Federal agency for complaints of alleged violations of USPAP and non-compliance with appraisal independence standards. The Hotline statistics for 2016 are in Appendix F of this report.

Over the past 25 years, the ASC has worked closely with the officials of State Programs, industry trade groups and other interested parties to address issues of common concern to the appraisal industry. From time to time during this period, the ASC has received reports of localized appraiser supply and demand concerns in various parts of the country. Historically, these concerns have been temporary in nature and were resolved once the industry adjusted to the changes in underlying market factors. At present, the ASC is evaluating the underlying causes of reported incidents of appraiser shortages in certain parts of the country and is working with officials of the impacted State Programs, industry trade groups and other interested parties on the actions the ASC can take to address these concerns.

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 supporting the mission of the ASC and provide the ASC with the necessary resources to fulfill its statutory mandates in a transparent and efficient manner.

# Appraisal Subcommittee

## *Member Representatives*

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



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

**Chair:** Arthur Lindo, June 2013

Member Since: January 2012

Mr. Lindo is Senior Associate Director, Division of Banking Supervision and Regulation.



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

**Vice Chair:** Richard B. Taft

Member Since: August 2015

Mr. Taft is Deputy Comptroller of Credit Risk.



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

**Member:** Vacant

Alternate Member: Ada Bohorfoush

Alternate Member Since: December 2011



### **Federal Deposit Insurance Corporation**

**Member:** Marianne Hatheway

Member Since: February 2016

Ms. Hatheway is the Deputy Regional Director, Division of Risk Management Supervision in the FDIC Boston Area Office.

**Member:** Rae-Ann Miller

Member Through: February 2016

Alternate Member: Rae-Ann Miller

Alternate Member Since: February 2016



### **Federal Housing Finance Agency**

**Member:** Maria Fernandez

Member Since: October 2014

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

Alternate Member: Robert Witt

Alternate Member Since: July 2013



### **National Credit Union Administration**

**Member:** Timothy Segerson

Member Since: May 2013

Mr. Segerson is Deputy Director, Office of Examination and Insurance.



Consumer Financial  
Protection Bureau

### **Consumer Financial Protection Bureau**

**Member:** Mira Marshall

Member Since: July 2012

Ms. Marshall is Senior Advisor to the Assistant Director, Office of Supervision Examinations.

Alternate Member: Calvin Hagins

Alternate Member Since: November 2012



# Administration of the Appraisal Subcommittee

## *Staff Listing*

**James R. Park**, Executive Director

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

**Alice M. Ritter**, General Counsel

**Vacant**, Attorney-Advisor

**L. Girard Hull**, Financial Manager

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

**Jenny Howard Tidwell**, Policy Manager

**Kristi A. Klamet**, Policy Manager

**Neal R. Fenochietti**, Policy Manager

**Claire M. Brooks**, Policy Manager

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

**Brian T. Kelly**, Administrative Officer/Project Manager-IT

**Vacant**, Administrative Assistant

**Vacant**, Regulatory Affairs Specialist

**Vacant**, Administrative Officer

### **ASC Meeting Procedures**

The ASC held meetings in March, May, July, September and November 2016.

Instructions on how to submit a request to attend the public portion of a meeting are available on the ASC website ([www.asc.gov](http://www.asc.gov)). The meeting agenda is posted in the *Federal Register* and on the website approximately seven business 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. Current Policy Statements are set forth in Appendix H that follows this Annual Report. Appraisers credentialed by State Programs that do not comply with the requirements of Title XI may be prohibited from performing appraisals of real property involved in federally related transactions in that State. The ASC's rating criteria of the State Programs focuses on three key components: (1) complying with Title XI mandates and requirements of ASC Policy Statements; (2) maintaining a strong regulatory program; and (3) limiting overall risk of Program failure.

The ASC monitors 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 D, *Tools for Monitoring State Compliance with Title XI*.) Programs that evidence noncompliance in one or more areas may be subject to additional oversight, including Follow-up Reviews, an accelerated Review Cycle and/or off-site monitoring.

The ASC identifies State Programs that may have a significant impact on the nation's appraiser regulatory system. The following 14 States, listed alphabetically, collectively represent over 50% of the credentialed appraisers on the Appraiser Registry: California, Colorado, Florida, Georgia, Illinois, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia and Washington. The ASC performs Priority Contact visits with these States in those years when Compliance Reviews are not scheduled.<sup>5</sup> 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.

In 2016, ASC Policy Managers conducted 25 Reviews; two Follow-up Reviews; and five Priority Contacts. (See Appendix B, *2016 Compliance Review Findings*.)

## Compliance Review Program

The ASC's Compliance Review process is a risk-based review process, focusing on areas of State Programs that are not in compliance with Title XI or that exhibit characteristics which could lead to non-compliance. Effective June 1, 2013, the ASC refined its Compliance Review process to better identify various levels of compliance.

Compliance Reviews are scheduled over a three to four-day period to coincide with a meeting of the State Program's decision-making body whenever possible. Preliminary Findings are communicated to the State in an ASC staff report and the State is given 60 days to respond. ASC staff then considers the State's response and makes formal recommendations for final disposition. The ASC, or its designated representative acting under delegated authority, considers the ASC staff report and recommendations along with responses from the State Program before rendering a decision. A final Compliance Review Report and letter to the State with a

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<sup>5</sup> Priority Contact visits may be performed onsite or by telephone.

determination regarding the State's compliance with Title XI is then issued. (See Appendix B, *2016 Compliance Review Findings*.) Actions taken under delegated authority are presented to the ASC at its next regularly scheduled meeting.

State Programs are issued one of the following Findings:

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

Of the 25 Compliance Reviews performed in 2016, 12 States (48%) were found to be Excellent; 8 States (32%) were found to be Good; 5 States (20%) were found to be Needs Improvement; and no State was found to be Not Satisfactory or Poor. The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2016 Compliance Review Findings* (Appendix B). The most significant area of noncompliance involved statutes, regulations, policies and procedures as a result of Dodd-Frank Act amendments to Title XI and recent changes in AQB Criteria which required legislative action in many States. States continue to show improvement in enforcement activities.



# Appraisal Foundation Monitoring and Oversight

The ASC monitors and reviews the Appraisal Foundation, including the AQB, ASB, and APB. The ASB and AQB are independent boards of the Foundation which serve as the congressionally-authorized sources for establishing appraiser qualifications and appraisal standards for federally related transactions. In monitoring the Foundation, the ASC attends AQB, ASB, APB and BOT meetings. The ASC also provides comments on proposals when needed and reviews all final published documents regarding AQB Criteria and USPAP.



# ASC Grants

## Foundation Grant

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>6</sup>

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 evaluates whether amounts requested are for “grant-eligible activities” under the ASC’s Foundation Grant Policy. For ASB, AQB or BOT expenses to be considered as “grant eligible activities,” they must meet the following requirements:

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

The ASC evaluates the impact of grant funding on the ASC’s financial condition to ensure consistency with its operating standards for maintaining appropriate reserves. The ASC awarded \$350,000 in grant funds to the Foundation in fiscal year 2016. Since the ASC’s inception in 1989, it has provided approximately \$21 million in aggregate grant funds.

Approved grant funds generally are disbursed 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.

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>7</sup> The purpose of the engagement 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

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<sup>6</sup> Title XI § 1109(b)(4), 12 U.S.C. § 3338

<sup>7</sup> OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” revised May 10, 2004. This Circular establishes principles for determining costs of grants, contract and other agreements with non-profit organizations.

- 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
- Ascertain that the costs charged to the grant for conference calls are in compliance with the grant agreement

## **State Grant**

Title XI also requires the ASC to make grants to the States in accordance with policies developed by the ASC in support of State enforcement activities, in addition to other areas.<sup>8</sup> The ASC provided grant funds in 2016 in the amount \$255,024, administered by the Foundation, in support of the States for the development, presentation and hosting of State Investigator Training Courses. ASC grant funds paid for attendees' meeting materials, lodging and travel expenses for up to three individuals from each State. Positive feedback from the States resulted in the ASC approving funding for investigator training courses for 2017. The ASC continues to review other options for the use of State grant funds, including educational programs for State regulators.

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<sup>8</sup> Title XI § 1109(b)(5), 12 U.S.C. § 3338.

# Appraiser Registry

Title XI requires the ASC to maintain an Appraiser Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions. As of December 31, 2016, the Appraiser Registry contained slightly more than 96,000<sup>9</sup> appraiser credentials down 2% from the 98,000 entries at the end of 2015, and down 21% from the peak in 2007 of over 121,000. (See *Appendix C*, National Appraiser Credential Statistics.)

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

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

- Receive automatic notifications about new revocations, suspensions, surrenders, and certification/license expirations
- Download publicly available information or parts of the Appraiser Registry into predefined queries and user-customized queries
- Verify appraiser credentials

- Set up automatic queries of Appraiser Registry information using a web service which allows computer systems used by lenders, regulatory agencies, and other authorized parties to integrate directly with the Appraiser Registry

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

In 2010, the ASC upgraded the Appraiser Registry to allow States to submit data to the ASC directly from their credential tracking applications. By the end of 2016, 27% of the States were reporting all their appraiser data directly into the Appraiser Registry and all States were entering their appraiser disciplinary data into the Appraiser 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 Appraiser Registry, making it a more effective tool for users of appraisal services as well as consumers and law enforcement.

States reported 18,461 disciplinary actions taken against appraisers for misconduct or wrongdoing over the past 10 years. (See *Appendix E*, *Appraiser Disciplinary Actions Reported by States*.)

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<sup>9</sup> This number does not represent the number of individual appraisers as some appraisers have credentials from multiple States



# Appraisal Complaint National Hotline

The ASC began operation of the Appraisal Complaint National Hotline (Hotline) on March 15, 2013. The Hotline refers complainants to the appropriate State and/or Federal agencies to handle complaints of alleged violations of USPAP and/or appraisal independence standards. The Hotline consists of three components: a website (ReferMyAppraisalComplaint.asc.gov), a linked email and a call center with a toll-free telephone number (877-739-0096).

The Hotline website received 4,296 contacts in calendar year 2016. Additionally, the toll-free telephone number received 408 calls and the email portal received 2 contacts. These contacts resulted in 549 referrals to State and Federal agencies. Appendix F, *Appraisal Complaint National Hotline*, contains more detailed information on the source of contacts, specific agency referrals, and whether the contact concerned issues of potential non-compliance with appraisal independence standards or violations of USPAP. Since the Hotline was designed as a

referral system, it does not collect data on the resolution of complaints referred to the State or Federal agencies. Appendix G, *Agency Complaint Data*, also contains data reported by the Federal financial institutions regulatory agencies and CFPB concerning complaints received by them during calendar year 2016. The numbers reported in this table differ from those reported in the ASC's table for several reasons. The Hotline is a referral tool available to a wide range of users; consequently, not all complainants who access the Hotline will proceed to filing a complaint with one of the agencies, or they may choose to file a complaint with their State appraiser regulatory agency. Additionally, the reported data includes appraisal-related complaints received by the Federal agency without identifying whether the complainant used the Hotline to obtain the referral information. States do not report data on appraisal-related complaints to the ASC, although a State's processing and disposition of complaints are part of the Compliance Review process.





# Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the Federal financial institutions regulatory agencies and HUD adopted appraisal-related rules and policies. The OCC, Federal Reserve, FDIC and NCUA also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines)<sup>10</sup> that clarify the long-standing expectations for an institution's appraisal and evaluation program.<sup>11</sup> The Guidelines address an institution's collateral valuation function, including independence in the appraisal and evaluation functions, minimum appraisal standards

for federally related transactions, the development and content of evaluations, appraisals for residential tract development lending and background on USPAP. The appraisal regulations require federally regulated institutions to ensure that appraisals supporting federally related transactions comply with USPAP.

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<sup>10</sup> Updated 2010.

<sup>11</sup> See 75 *Federal Register* 77450 (December 10, 2010).



# Interagency Activity

## **Automated Valuation Models (AVMs)**

Title XI requires the Agencies, in consultation with the staff of the ASC and the ASB, to promulgate regulations implementing quality control standards for AVMs, which are defined as “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.”<sup>12</sup> The AVM regulations are to implement requirements that AVMs adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs and protect against manipulation of data, among other things. The interagency group continued development of these regulations in 2016.

## **Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA)**

Beginning in 2014, the federal financial institutions regulatory agencies, engaged in a decennial process under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) to assess the impact of banking regulations on depository institutions. As part of the EGRPRA process the agencies solicited comment from the public and agency officials and staff held town-hall style meetings across the country to discuss the impact of federal banking regulations. The agencies received numerous comments pertaining to the appraisal regulations and the agencies subsequently initiated an assessment of those regulations. The results of the assessment

were included in a report to Congress issued in March 2017. In March 2016, the federal financial institutions regulatory agencies, issued an *Interagency Advisory on the Use of Evaluations in Real Estate Related Transactions*. That advisory clarified existing guidance on when evaluations are permitted and the preparation of evaluations. Also, on October 24, 2016, the federal banking agencies and NCUA, issued the “*Temporary Exceptions to FIRREA Appraisal Requirements in Areas Affected by Severe Storms and Flooding in Louisiana*.” The statement granted exceptions to the FIRREA appraisal requirements for transactions involving real property located in certain parishes in Louisiana declared to be a major disaster area by order of the President due to storms and flooding.

## **Truth in Lending Act (TILA)**

In 2016, the CFPB, the Federal Reserve, and Office of the Comptroller of the Currency amended the official interpretations for their regulations relating to special appraisal requirements for higher-priced mortgage loans that implement section 129H of the Truth in Lending Act (TILA). As memorialized in the final rule, the agencies will not adjust the exemption threshold in the regulations from the prior year if there is no annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers<sup>13</sup>

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<sup>12</sup> Title XI § 1125(d), 12 U.S.C. § 3354(d).

<sup>13</sup> See 81 *Federal Register* 86250 (November 30, 2016)



# Member Agency Activity

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

## **Federal Reserve Board**

Federal Reserve Board staff participated in several outreach programs including panel discussions to explain the banking agencies' appraisal regulations and guidance to persons involved in the appraisal profession, as well as users of appraisal services and appraiser regulators. The Federal Reserve Board also continues to publish Community Banking Connections, a web-based publication that provides community bankers with access to information on safe and sound banking practices, including compliance with appraisal regulation and guidance.

## **Comptroller of the Currency**

OCC staff participated in outreach throughout the year with various constituents in the appraisal profession including appraisers, industry associations, users of appraisal services, bankers, and other regulators. Through this outreach, the agency provided information and guidance on real estate lending, appraisals, and evaluations.

## **Federal Deposit Insurance Corporation**

The FDIC provides guidance and outreach to various segments of the lending community through programs such as the Directors' College Program and Technical Assistance Video Program. This training includes guidance on appraisals and evaluations. FDIC staff participated in outreach programs, including panel discussions and a webinar to explain the banking agency's appraisal regulations and guidance, to various members of the appraisal profession as well as users of appraisal services and appraiser regulators. The FDIC continues to work with the other member agencies on interagency rulemakings for appraisal-related provisions of the Dodd- Frank Act.

## **National Credit Union Administration**

The NCUA Board did not amend or modify any new rules during 2016 related to appraisals. NCUA continues to work with FFIEC Agencies to evaluate current appraisal requirements and thresholds for appropriateness as part of their periodic regulatory review and effort to identify areas of potential regulatory relief for credit unions and consumers.

## **Consumer Financial Protection Bureau**

In 2016, the CFPB provided guidance to the lending community on the amended reporting requirements for the Home Mortgage Disclosure Act (HMDA). The final rule, referred to as the 2015 HMDA Rule was issued on October 15, 2015. Many of the new data collection requirements included in the 2015 HMDA Rule are effective January 1, 2018 and applicable to data reported in or after 2019. Among other things, the rule will require the reporting of certain data points, including property value. The CFPB has released two webinars, sample data collection forms, and other compliance tools to aid implementation efforts. The CFPB also released updated guidance on the role of service providers. Practitioners in the appraiser community should be aware of this guidance as it may impact the depth and formality of lenders' risk management programs (<https://www.consumerfinance.gov/policy-compliance/guidance/implementation-guidance/compliance-bulletin-and-policy-guidance-2016-02-service-providers/>).

## **Federal Housing Finance Agency**

Leveraging its work on Collateral Underwriter (CU) over the past two years, Fannie Mae released a broad market offering to all approved Fannie Mae Sellers/Lenders called *Day 1 Certainty* in December 2016. Lenders submitting appraisals through CU that meet Fannie Mae appraisal quality standards are offered relief from representations and warranties for the appraised value of the collateral.

Lenders can access CU, a free appraisal risk assessment application, to originate mortgages maximizing appraisal review efficiency and proactively manage appraisal quality with increased certainty and lower costs. Use of CU is optional and is not intended to replace a lender's review of the appraisal.

Freddie Mac developed an appraisal assessment tool known as Loan Collateral Advisor (LCA) for use by its approved Sellers/Lenders that evaluates and scores appraisals on data integrity, value, and overall quality. When completed, it will offer lenders relief from representations and warranties on appraisals that meet Freddie Mac quality standards.

Development of appraisal assessment tools by the Enterprises has resulted in enhanced appraisal review by lenders and an increase in overall appraisal quality by appraisers.

In 2016, Fannie Mae and Freddie Mac released updated guidance to lenders and appraisers clarifying the use of comparable sales in rural markets, condominium projects, and new home subdivisions. The guidance addresses

challenges in various markets in meeting appraisal requirements for the selection and use of comparable sales in appraisals and supports greater appraiser independence in data selection, analysis and the valuation process.

Both Fannie Mae and Freddie Mac continued to enhance the Uniform Collateral Data Portal (UCDP) in 2016.

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

During 2016, the Federal Housing Administration (FHA) completed the deployment of the Electronic Appraisal Delivery (EAD) process. FHA mortgagees upload the MISMO compliant XML format of the appraisal report for all new originations. The FHA Handbook 4000.1, in effect since 2015, was revised and is being updated with new sections representing the remaining portions of the mortgage origination and servicing processes. In addition, FHA updated the *FHA Single Family Appraisal Report and Data Delivery Guide* as needed to provide instructions to appraisers and lenders for delivery and uploading FHA compliant reports.

# Activities of the Appraisal Foundation

The Appraisal Foundation is a not-for-profit corporation formed in 1987. It serves as the parent organization for three boards: the Appraisal Standards Board (ASB) which is responsible for promulgating and maintaining the *Uniform Standards of Professional Appraisal Practice* (USPAP); the Appraiser Qualifications Board (AQB) which establishes minimum credential criteria for appraisers performing work for federally related transactions (AQB Criteria); and the Appraisal Practices Board (APB) which develops voluntary guidance related to recognized valuation methods and techniques. The Foundation Board of Trustees continued its oversight of the Boards (AQB, ASB and APB) during 2016.

The State Investigator Training Program was developed as a joint effort of the Foundation and the Association of Appraiser Regulatory Officials (AARO), in consultation with the Appraisal Subcommittee (ASC), to train State regulators on USPAP enforcement and investigative techniques. The program covers three levels: Level 1 is a basic

course on USPAP and the regulatory system; Level 2 is a more detailed review of USPAP and includes issues related to case management; and, Level 3, initiated in 2014, is more advanced training on conducting interviews, writing reports and presenting findings. Program attendance since it began in 2009 includes 54 of the 55 States and jurisdictions, with 433 attendees completing Level 1, 299 completing Level 2 and 122 completing Level 3. The ASC funds the attendance by State regulators at investigator training courses through the State grant process.

In 2016, the Foundation worked with AARO and the ASC on a short publication dedicated to highlighting the groups' combined accomplishments since the implementation of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). To view a copy of the publication, titled, *The Appraiser Regulatory System in the United States, A Unique Partnership—25 Years in the Making*, go to <https://appraisalfoundation.sharefile.com/share?#/view/s80e9837856b481f8>





# Financial Status of the ASC

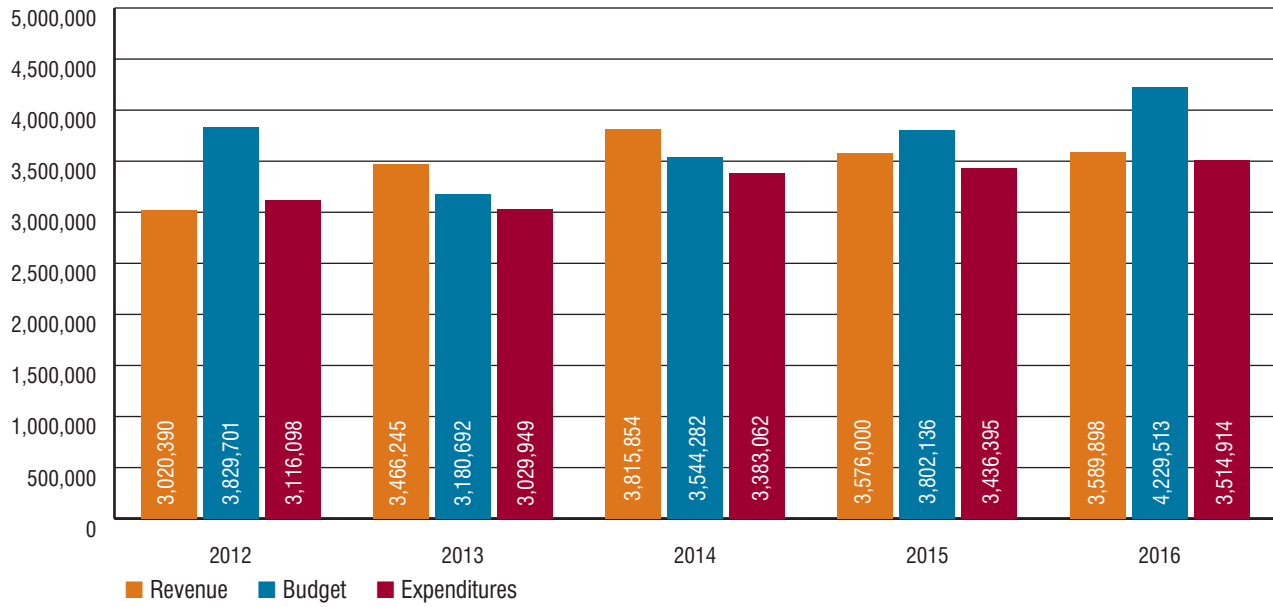
In fiscal year 2016, the ASC's revenue totaled approximately \$3.6 million and expenses (including the Foundation grant and State grants) totaled approximately \$3.6 million. All ASC funds are derived from the Appraiser Registry fee that licensed and certified appraisers pay on an annual basis to be listed on the Appraiser Registry as eligible to perform appraisals for federally related transactions. This annual Appraiser Registry fee is \$40 effective January 1, 2012.

Appendix A contains the ASC audited financial statements for fiscal year 2016, ending September 30, 2016. The ASC realized a net income of approximately \$75,000. The ASC had reserves of over \$4.8 million. The external

auditors found no material weakness involving the ASC's internal control structure and operation, or any material instances of noncompliance with selected provisions of applicable laws and regulations tested.

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

### Appraisal Subcommittee

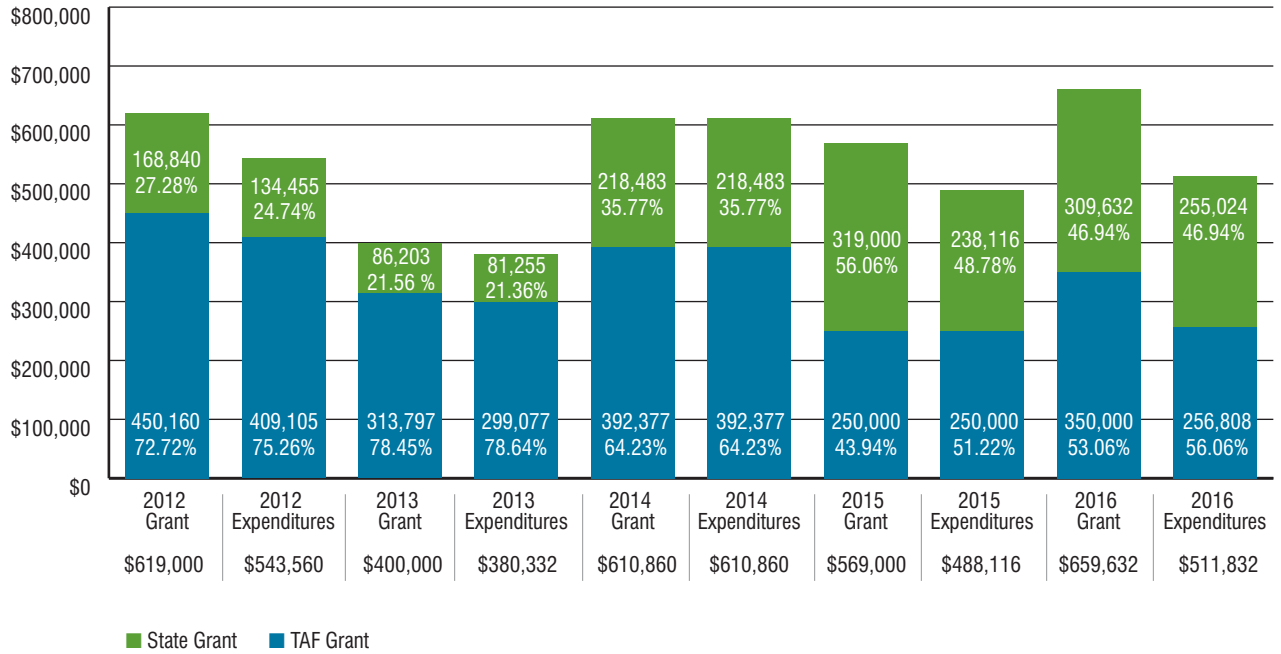


### Appraisal Subcommittee (5 Year Trend)

	Revenue	Budget	Actual Expenditures	% Expended
2012	3,020,390	3,829,701	3,116,098	81.4%
2013	3,466,245	3,180,692	3,029,949	95.3%
2014	3,815,854	3,544,282	3,383,062	95.5%
2015	3,576,000	3,802,136	3,436,395	90.4%
2016	3,589,898	4,229,513	3,514,914	83.1%

### Appraisal Subcommittee Grant Award

(includes grants for The Appraisal Foundation & State Investigator Training Program)



### Appraisal Subcommittee Grant Awards

	Awarded	Expended	% Expended
2012	\$619,000	\$543,560	87.8%
2013	\$400,000	\$380,332	95.1%
2014	\$610,860	\$610,860	100.0%
2015	\$569,000	\$488,116	85.8%
2016	\$659,632	\$511,832	77.6%



# Appendix A

## *Financial Statements*

Appraisal Subcommittee Financial Statements

September 30, 2016



# APPRAISAL SUBCOMMITTEE

## Financial Statements

September 30, 2016 and 2015

### C O N T E N T S

<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements:</b>	
Statements of Net Position	3
Statements of Operations and Changes in Net Position	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-10
<b>Independent Auditors' 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>	11-12



## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Appraisal Subcommittee, which comprise the statements of net position as of September 30, 2016 and 2015, the related statements of operations and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Appraisal Subcommittee's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Appraisal Subcommittee as of September 30, 2016 and 2015, and the respective changes in net position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2017 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appraisal Subcommittee's internal control over financial reporting and compliance.

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

**Certified Public Accountants  
Braintree, Massachusetts**

January 26, 2017

# APPRAISAL SUBCOMMITTEE

## Statements of Net Position

September 30,

### Assets

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Fund balances with U.S. Treasury	\$ 5,361,153	\$ 6,150,448
Restricted fund balances with U.S. Treasury	2,934,714	1,371,513
Accounts receivable	<u>414,565</u>	<u>554,820</u>
<b>Total Current Assets</b>	<u>8,710,432</u>	<u>8,076,781</u>
<b>Property and Equipment, net</b>	<u>32,589</u>	<u>22,107</u>
<b>Total Assets</b>	<u>\$ 8,743,021</u>	<u>\$ 8,098,888</u>

### Liabilities and Net Position

<b>Current Liabilities:</b>		
Accounts payable	\$ 109,533	\$ 66,046
Grants payable	240,039	184,560
Accrued expenses	316,658	319,611
Unearned revenues	<u>1,494,624</u>	<u>1,384,423</u>
<b>Total Current Liabilities</b>	<u>2,160,854</u>	<u>1,954,640</u>
<b>Non-Current Liabilities:</b>		
Unearned revenues	68,569	81,644
Restricted funds held for others	<u>1,747,523</u>	<u>1,371,513</u>
<b>Total Non-Current Liabilities</b>	<u>1,816,092</u>	<u>1,453,157</u>
<b>Total Liabilities</b>	<u>3,976,946</u>	<u>3,407,797</u>
<b>Net Position</b>	<u>4,766,075</u>	<u>4,691,091</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 8,743,021</u>	<u>\$ 8,098,888</u>

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

# APPRAISAL SUBCOMMITTEE

## Statements of Operations and Changes in Net Position

For the Years Ended September 30,

	<u>2016</u>	<u>2015</u>
<b>Registry Fees</b>	<b><u>\$ 3,589,898</u></b>	<b><u>\$ 3,576,000</u></b>
<b>Operating Expenses:</b>		
Personnel compensation and benefits	2,058,470	1,947,680
Contracted services	415,294	393,592
Rent, communications and utilities	278,124	276,512
Travel and transportation	165,571	177,465
Other	39,617	22,219
Printing and reproduction	18,801	24,125
Supplies and materials	16,208	14,763
Depreciation	<u>10,997</u>	<u>11,039</u>
<b>Total Operating Expenses</b>	<b><u>3,003,082</u></b>	<b><u>2,867,395</u></b>
<b>Appraisal Foundation Grants:</b>		
ASB and AQB Grant	256,808	250,000
State Investigator Training Grant	<u>255,024</u>	<u>319,000</u>
<b>Total Appraisal Foundation Grants</b>	<b><u>511,832</u></b>	<b><u>569,000</u></b>
<b>Changes in Net Position</b>	<b>74,984</b>	<b>139,605</b>
Net Position, Beginning of Year	<u>4,691,091</u>	<u>4,551,486</u>
<b>Net Position, End of Year</b>	<b><u>\$ 4,766,075</u></b>	<b><u>\$ 4,691,091</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>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net position	\$ <u>74,984</u>	\$ <u>139,605</u>
Adjustments to reconcile changes in net position to net cash provided by (applied to) operating activities:		
Depreciation	10,997	11,039
Changes in assets and liabilities:		
Accounts receivable	140,255	(21,906)
Accounts payable	43,487	37,191
Grants payable	55,479	(8,470)
Unearned revenues	97,126	(204,077)
Accrued expenses	<u>(2,953)</u>	<u>18,501</u>
Total Adjustments	<u>344,391</u>	<u>(167,722)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>419,375</u>	<u>(28,117)</u>
<b>Cash Flow from Investing Activity:</b>		
Acquisition of property and equipment	<u>(21,479)</u>	<u>(14,252)</u>
<b>Net Change in Fund Balances with U.S. Treasury</b>	397,896	(42,369)
Fund Balances with U.S. Treasury, Beginning of Year	<u>6,150,448</u>	<u>6,192,817</u>
<b>Fund Balances with U.S. Treasury, End of Year</b>	<u>\$ 6,548,344</u>	<u>\$ 6,150,448</u>

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



# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements

September 30, 2016 and 2015

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 of Federal Financial Accounting Standards and Interpretations (SFFAS 34), as well as certain AICPA pronouncements specifically made applicable to federal government entities by FASAB Statements or Interpretations.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2016 and 2015

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. For financial statement purposes, the Appraisal Subcommittee considers all fund balances with an original maturity of three months or less to be cash equivalents.

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 \$15 dollar fee increase, as permitted by the Dodd-Frank Act. As part of the fee increase that was effective January 1, 2012, Congress specifically required the ASC to set aside 25% of the increase without specifications as to how it could be used. Accordingly, these funds have been classified as a liability on the statement of net position.

Accounts Receivable

Accounts receivable consist of amounts due to the Appraisal Subcommittee for registry fees. As of September 30, 2016, 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 three or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least three years and have an aggregate value of \$15,000 or more.



# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2016 and 2015

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

Unearned Revenues

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

Tax Status

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

Note 2 - **Property and Equipment**

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

	<u>2016</u>	<u>2015</u>
Computer Equipment	\$ 453,889	\$ 432,410
Furniture	<u>31,803</u>	<u>31,803</u>
	485,692	464,213
Less: accumulated depreciation	<u>453,103</u>	<u>442,106</u>
Net Property and Equipment	<u>\$ 32,589</u>	<u>\$ 22,107</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 amounts ranging from 7-8% percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and 1 percent of salary is contributed by the employee.

The Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees Retirement System. Contributions by the Appraisal Subcommittee during fiscal years 2016 and 2015 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$256,000 and \$237,000, respectively.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2016 and 2015

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 (the "Foundation") to help defray costs of the Foundation relating to the activities of its Appraisal Standards Board ("ASB"), Appraiser Qualification Board ("AQB"), and State Investigator Training Grants. Since inception of the Appraisal Subcommittee on August 9, 1989, it has made grants to the Foundation under which approximately \$19,270,000 was expended through September 30, 2016. As of September 30, 2016 and 2015, the Appraisal Subcommittee has \$240,039 and 184,560 in undistributed grant funding available to the Foundation for the grant years ending September 30, 2016 and 2015, 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 \$232,547 and \$230,453 for the years ended September 30, 2016 and 2015, 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, 2016 and 2015

Note 5 - **Interagency Transactions - Continued**

Minimum future payments under the agreement subsequent to September 30, 2016 are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u>
2017	\$ 225,449
2018	<u>225,449</u>
Total	<u>\$ 450,898</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 2016 and 2015 include approximately \$76,000 and \$44,000, respectively, for these services. These costs are included in contracted services on the statements of operations.

Note 6 - **Management's Acceptance of Financial Statements**

Subsequent Events

Management has evaluated subsequent events through January 26, 2017, the date for which the financial statements were available for issuance. Management has accepted the financial statements and did not identify any events subsequent to September 30, 2016 requiring disclosure in the financial statements.

**INDEPENDENT AUDITORS' 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***



**INDEPENDENT AUDITORS' 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, 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, the financial statements of the Appraisal Subcommittee, which comprise the statements of net position as of September 30, 2016 and 2015, the related statements of operations and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Appraisal Subcommittee's basic financial statements and have issued our report thereon dated January 26, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Appraisal Subcommittee's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Appraisal Subcommittee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Appraisal Subcommittee's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Appraisal Subcommittee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appraisal Subcommittee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor and Drew, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

January 26, 2017

# Appendix B

## *2016 Compliance Review Findings*

### *2015—2016 Compliance Review Findings*

<b>Areas of Non-Compliance</b>		
<b>Requirement/Guidance Areas</b>	<b>2016 25 States Reviewed</b>	<b>2015 30 States Reviewed</b>
Statutes, Regulations, Policies and Procedures:	6	12
Temporary Practice:	0	1
National Registry:	3	0
Application Process:	4	10
Reciprocity:	0	0
Education:	0	0
Enforcement:	3	3
<b>State Compliance Status</b>		
	<b>2016 25 States Reviewed</b>	<b>2015 30 States Reviewed</b>
Excellent	12	6
Good	8	16
Needs Improvement	5	8
Not Satisfactory	0	0
Poor	0	0

The table above documents the 2015 and 2016 Compliance Review Findings by requirement and areas of guidance.

### State Compliance Review Finding Descriptions

The charts below provide an explanation of ASC Findings and rating criteria.

ASC Finding	Rating Criteria	Review Cycle**
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor*	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\*An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

\*\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.



*2016 Compliance Review Summary*

<b>State</b>	<b>Date of Review</b>	<b>ASC Finding</b>	<b>Review Cycle</b>
Alabama	January	Good	Two-Year
Louisiana	February	Good	Two-Year
Texas	February	Excellent	Two-Year
Arkansas	March	Good	Two-Year
Georgia	March	Excellent	Two-Year
Maryland	April	Good	Two-Year
Nevada	May	Excellent	Two-Year
Pennsylvania	May	Needs Improvement	Two-Year with Follow-up
Massachusetts	May	Needs Improvement	Two-Year
Washington	May	Excellent	Two-Year
Arizona	June	Excellent	Two-Year
Connecticut	June	Good	Two-Year
Missouri	June	Excellent	Two-Year
North Dakota	June	Excellent	Two-Year
Oregon	July	Excellent	Two-Year
South Dakota	August	Excellent	Two-Year
Vermont	August	Needs Improvement	Two-Year
Colorado	September	Excellent	Two-Year
Michigan	September	Good	Two-Year
New Jersey	September	Needs Improvement	Two-Year
Minnesota	September	Good	Two-Year
California	October	Excellent	Two-Year
North Carolina	November	Excellent	Two-Year
Virgin Islands	November	Needs Improvement	Two-Year with Follow-up
West Virginia	December	Good	Two-Year





# Appendix C

## *National Appraiser Credential Statistics*

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

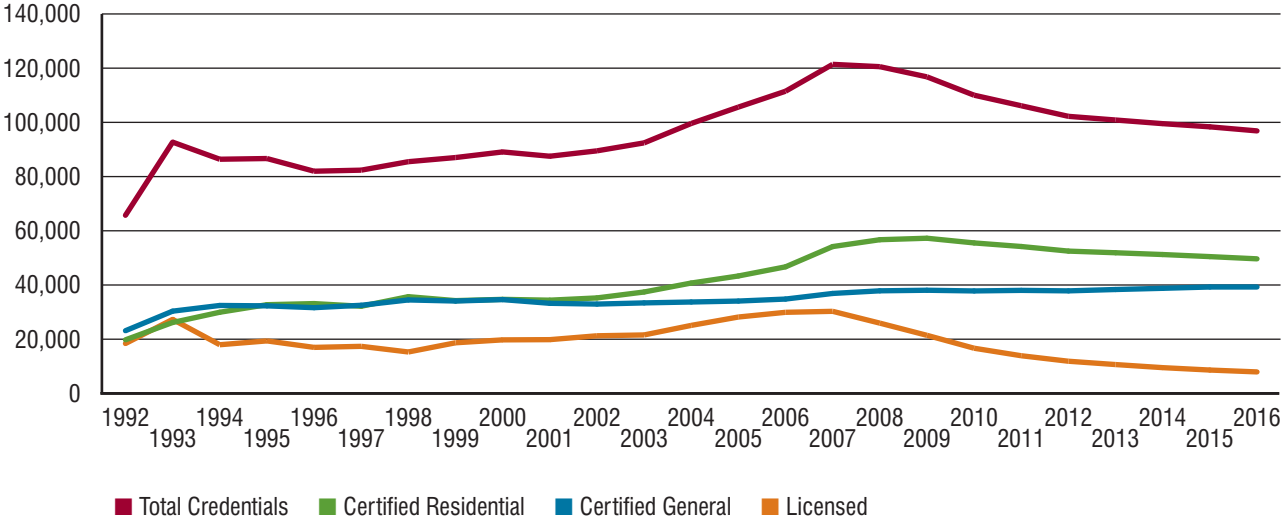
### *Appraiser Registry Credentials—Year-End 2007–2016*

<b>Year-End</b>	<b>Certified General</b>	<b>Certified Residential</b>	<b>Licensed</b>	<b>Transitional</b>	<b>Total Credentials</b>
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
2013	38,332	51,893	10,648	0	100,873
2014	38,777	51,240	9,507	0	99,524
2015	39,257	50,427	8,622	0	98,351
2016	39,269	49,654	7,933	0	96,856

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. Effective July 1, 2013, transitional credentials were no longer eligible for listing on the Appraiser Registry.

# National Registry Credentials

## Yearly Appraiser Credential Trends



# Appendix D

## *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 E

## *Appraiser Disciplinary Actions Reported by States<sup>14</sup>*

January 1, 2007 through December 31, 2016

State or US Territory	Additional Education	Down-grade	Limited	Monetary Fine	Official Reprimand	Other	Probation	Revocation	Suspension	Voluntary Surrender	Warning, Corrective Action, and/or Disciplinary Action	Total
Alabama	18	0	0	67	22	22	8	4	19	12	1	173
Alaska	6	0	0	8	1	4	6	0	0	4	5	34
Arizona	30	0	1	0	1	158	68	22	21	29	0	330
Arkansas	41	0	1	4	0	41	116	4	9	7	15	238
California	372	0	8	597	2	28	142	75	70	95	9	1398
Colorado	114	3	0	139	3	9	6	31	53	117	4	479
Connecticut	28	0	0	177	0	1	1	6	7	11	1	232
Delaware	11	0	0	16	29	1	12	6	15	0	0	90
District Of Columbia	5	0	0	26	5	0	6	2	6	0	0	50
Florida	138	0	0	362	3	15	460	308	149	33	1	1469
Georgia	0	0	0	0	0	410	0	214	100	5	0	729
Hawaii	5	0	0	15	0	0	1	3	0	0	0	24
Idaho	97	0	0	139	0	58	48	5	15	9	2	373
Illinois	10	0	0	103	17	17	22	75	105	6	137	492
Indiana	12	0	0	10	56	277	159	65	82	5	3	669
Iowa	55	0	0	18	13	4	37	5	9	22	11	174
Kansas	72	0	0	28	0	0	36	13	2	8	8	167
Kentucky	75	2	0	106	1	21	1	4	36	13	3	262
Louisiana	8	0	0	23	13	0	0	1	5	0	1	51
Maine	46	0	0	65	52	4	11	22	16	3	21	240
Maryland	71	0	0	118	16	2	0	11	35	11	0	264
Massachusetts	11	0	0	336	364	1	173	32	16	62	8	1003
Michigan	140	0	0	311	1	2	2	87	22	6	0	571
Minnesota	9	0	0	172	10	8	0	71	22	0	81	373
Mississippi	61	0	0	0	1	3	25	5	3	2	0	100
Missouri	0	0	0	0	2	36	186	65	82	19	0	390
Montana	31	0	0	33	4	4	22	11	18	4	0	127
Nebraska	45	3	1	11	0	10	0	1	8	3	3	85
Nevada	108	1	0	49	0	5	9	22	12	34	2	242
New Hampshire	43	0	0	49	18	3	0	4	4	2	0	123
New Jersey	68	0	0	230	71	0	19	12	68	24	0	492
New Mexico	55	0	0	19	5	0	2	14	6	2	19	122
New York	124	0	0	308	4	5	0	113	106	0	63	723

State or US Territory	Additional Education	Down-grade	Limited	Monetary Fine	Official Reprimand	Other	Probation	Revocation	Suspension	Voluntary Surrender	Warning, Corrective Action, and/or Disciplinary Action	Total
North Carolina	112	1	3	3	40	0	0	9	119	40	0	327
North Dakota	5	0	0	6	2	1	4	1	5	2	0	26
Ohio	213	0	0	201	20	2	0	20	145	22	13	636
Oklahoma	50	4	2	266	3	9	36	32	270	20	25	717
Oregon	76	0	0	176	18	26	0	5	21	15	14	351
Pennsylvania	102	0	0	157	8	2	30	7	33	25	0	364
Puerto Rico	2	0	0	11	0	8	0	0	3	0	2	26
Rhode Island	14	0	0	23	4	2	0	3	2	0	2	50
South Carolina	76	0	0	91	88	0	36	9	7	19	0	326
South Dakota	40	0	1	46	33	2	0	2	7	4	1	136
Tennessee	165	5	0	178	8	0	22	16	52	19	19	484
Texas	391	0	0	192	20	129	153	77	73	79	8	1122
Utah	30	3	0	81	0	1	2	18	6	11	0	152
Vermont	3	0	0	3	1	1	0	1	5	3	11	28
Virginia	32	0	0	45	0	2	10	22	92	0	100	303
Washington	52	0	0	103	2	1	96	29	35	2	0	320
West Virginia	20	0	0	32	14	7	6	5	13	1	2	100
Wisconsin	187	0	74	82	159	5	1	15	102	47	0	672
Wyoming	10	0	0	10	0	2	6	1	0	3	0	32
<b>Total</b>	<b>3,489</b>	<b>22</b>	<b>91</b>	<b>5,245</b>	<b>1,134</b>	<b>1,349</b>	<b>1,980</b>	<b>1,585</b>	<b>2,111</b>	<b>860</b>	<b>595</b>	<b>18,461</b>

A total of 7,334 appraisers have had licenses revoked, suspended or voluntarily surrendered since 1992.

<sup>14</sup> Public disciplinary actions on the Appraiser 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.

# Appendix F

## *Appraisal Complaint National Hotline*

**Review Period: January–December 2016**

<b>In-Bound Source</b>	<b>Year End Totals</b>	<b>Referral Type</b>	<b>Description</b>	<b>Year End Totals</b>	
Call Center Calls	498	Complainant	Appraiser	131	
Call Center Referrals	29		AMC	67	
Email Referral	2		Bank, savings and loan, thrift, credit union, or other financial institution	7	
Website Hits/Visits	4,296		Mortgage broker, lender, or loan originator	11	
Federal Agency Referrals	114		Settlement services provider	1	
State Agency Referrals	435		Other Totals	218	
<b>Member Agency Referrals</b>			<i>Consumer*</i>	200	
<b>Agency</b>	<b>Year End Totals</b>		<i>Real Estate Agent</i>	17	
FRB	1		<i>Attorney</i>	1	
OCC	8		<i>Insurance Agent</i>	–	
FDIC	7		<i>Federal Entity</i>	–	
NCUA	10		<i>Blank/Undefined</i>	–	
CFPB	85		Complaint	USPAP	284
FTC	3			Appraisal Independence	151
FHFA	–	Complaint Against	Appraiser	321	
			AMC	38	
			Bank, savings and loan, thrift, credit union, or other financial institution	44	
			Mortgage broker, lender, or loan originator	13	
			Settlement services provider	1	
			Other	18	
		Property Type	1-4 Unit Residential	403	
			Commercial	19	
			No Property	13	
		Federal Loan Type	FHA	66	
			VA	13	
			USDA	3	
			None	–	

\*“Consumer” consists of the following self-identified categories: Property Owner, Homeowner, Buyer, Borrower, Seller and Loan Applicant.





# Appendix G

## *Agency Complaint Data*

### Agency Complaint Data: January–December 2016

	Agency					
Complainant	FDIC	FRB	NCUA <sup>15</sup>	OCC	CFPB	TOTALS
Appraiser	6	0	0	26	14	46
Appraisal Management Company	0	0	0	0	0	0
Business Property Owner	2	0	0	3	0	5
Financial Institution Lender	0	0	0	0	0	0
Individual Property Owner	19	3	8	60	3	92
Mortgage Broker	0	0	0	0	0	2
Non-Financial Institution Lender	0	0	0	0	3	3
Other	6	1	0	2	7	16
Complaint Against	FDIC	FRB	NCUA <sup>16</sup>	OCC	CFPB	TOTALS
Appraiser	20	3	6	14	2	45
Appraisal Management Company	7	0	0	0	6	13
Lender	6	1	7	77	14	105
Other	7	0	0	0	5	12
Complaint Type	FDIC	FRB	NCUA <sup>17</sup>	OCC	CFPB	TOTALS
Non-compliance with USPAP	10	4	0	1	3	18
Appraiser Independence	7	2	0	2	16	27
Other	41	0	8	88	7	144

<sup>15</sup> One property was a mixed use property including residential and commercial.

<sup>16</sup> Total of 8 complaints 5 were against both the lender and appraiser; 2 were against the lender and one was against the appraiser.

<sup>17</sup> Except for 1 refusal to perform the appraisal, 1 claim of deceptive practices by the lender, and 1 claim of a fee related nature the remaining 5 were related to perceived undervalued appraisal conclusion.



# Appendix H

## Reference Materials

*Statutory References*

*Policy Statements*



# Statutory References

## Unofficial ASC staff version of Title XI of FIRREA Real Estate Appraisal Reform [12 U.S.C. §§ 3331-3355] 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 U.S.C.A. § 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 U.S.C.A. § 3338] or, if required, pursuant to section 1122(b) of this title [12 U.S.C.A. § 3351(b)].

(b) *Additional funds.* Except as provided in section 1122(c) of this title [12 U.S.C.A. § 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 contract-

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

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

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

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

(a) In general. Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title [12 U.S.C.A. §§ 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 U.S.C.A. §§ 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 U.S.C.A. § 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 U.S.C.A. § 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 U.S.C.A. § 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 U.S.C.A. §§ 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 U.S.C.A. § 1813] or an insured credit union as defined in section 101 of the Federal Credit Union Act [12 U.S.C.A. § 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, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 U.S.C.A. § 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 U.S.C.A. § 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.



# Policy Statements

## Requirements and Guidance to State Appraiser Regulatory Programs for Compliance with Title XI

### Contents

Introduction and Purpose . . . . .	82	POLICY STATEMENT 5	
POLICY STATEMENT 1		Reciprocity . . . . .	95
Statutes, Regulations, Policies and Procedures		A. Reciprocity Policy . . . . .	95
Governing State Programs . . . . .	83	B. Application of Reciprocity Policy . . . . .	95
A. State Regulatory Structure . . . . .	83	C. Appraiser Compliance Requirements . . . . .	96
B. Funding and Staffing . . . . .	83	D. Summary of Requirements . . . . .	96
C. Minimum Criteria . . . . .	83	POLICY STATEMENT 6	
D. Federally Recognized Appraiser Classifications . . . . .	83	Education . . . . .	97
E. Non-federally Recognized Credentials . . . . .	84	A. Course Approval . . . . .	97
F. Appraisal Standards . . . . .	84	B. Distance Education . . . . .	97
G. Exemptions . . . . .	85	C. Summary of Requirements . . . . .	97
H. ASC Staff Attendance at State Board Meetings . . . . .	85	POLICY STATEMENT 7	
I. Summary of Requirements . . . . .	85	State Agency Enforcement . . . . .	98
POLICY STATEMENT 2		A. State Agency Regulatory Program . . . . .	98
Temporary Practice . . . . .	86	B. Enforcement Process . . . . .	98
A. Requirement for Temporary Practice . . . . .	86	C. Summary of Requirements . . . . .	99
B. Excessive Fees or Burdensome Requirements . . . . .	86	POLICY STATEMENT 8	
C. Summary of Requirements . . . . .	87	Interim Sanctions . . . . .	100
POLICY STATEMENT 3		A. Authority . . . . .	100
National Registry . . . . .	88	B. Opportunity to be Heard or Correct Conditions . . . . .	100
A. Requirements for the National Registry . . . . .	88	C. Procedures . . . . .	100
B. Registry Fee and Invoicing Policies . . . . .	88	Appendix A—Compliance Review Process . . . . .	102
C. Access to National Registry Data . . . . .	89	Appendix B—Glossary of Terms . . . . .	104
D. Information Sharing . . . . .	89		
E. Summary of Requirements . . . . .	90		
POLICY STATEMENT 4			
Application Process . . . . .	91		
A. Processing of Applications . . . . .	91		
B. Qualifying Education for Initial or Upgrade Applications . . . . .	91		
C. Continuing Education for Reinstatement and Renewal Applications . . . . .	91		
D. Experience for Initial or Upgrade Applications . . . . .	92		
E. Examination . . . . .	93		
F. Summary of Requirements . . . . .	93		

## Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), as amended (Title XI), established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).<sup>18</sup> The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States<sup>19</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.<sup>20</sup> The ASC performs periodic Compliance Reviews<sup>21</sup> of each State appraiser regulatory program (Program) to determine compliance, or lack thereof, with Title XI, and to assess the Program's implementation of the AQB Criteria as adopted by the Appraiser Qualifications Board (AQB).

Pursuant to authority granted to the ASC under Title XI, the ASC is issuing these Policy Statements<sup>22</sup> to provide States with the necessary information to maintain their Programs in compliance with Title XI. Policy Statements 1 through 7 correspond with the categories that are evaluated during the Compliance Review process and included in the ASC Compliance Review Report (Report). Policy Statement 8 entitled *Interim Sanctions* sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC.

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<sup>18</sup> The ASC board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

<sup>19</sup> See Appendix B, Glossary of Terms, for the definition of "State."

<sup>20</sup> See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

<sup>21</sup> See Appendix A, Compliance Review Process.

<sup>22</sup> These Policy Statements, adopted April 10, 2013, supersede all previous Policy Statements adopted by the ASC, the most recent version of which was issued in October 2008.

# POLICY STATEMENT 1

## Statutes, Regulations, Policies and Procedures Governing State Programs

### A. State Regulatory Structure

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.<sup>23</sup> The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Program. Therefore, a State has flexibility to structure its Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board<sup>24</sup> or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Programs using private entities or contractors should establish appropriate internal policies, procedures, and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

### B. Funding and Staffing

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

### C. Minimum Criteria

Title XI requires States to adopt and/or implement all relevant AQB Criteria. Historically, requirements established by a State for certified residential or certified general classifications have been required to meet or exceed AQB Criteria. Effective July 1, 2013, requirements established by a State for licensed appraisers, as well as for trainee and supervisory appraisers, must also meet or exceed the AQB Criteria, as required by the Dodd-Frank Act.

### D. Federally Recognized Appraiser Classifications

#### 1. State Certified Appraisers

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

#### 2. State Licensed Appraisers

As of July 1, 2013, "State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. Effective July 1, 2013, the permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

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<sup>23</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>24</sup> See Appendix B, *Glossary of Terms*, for the definition of "State board."

### ***3. Trainee Appraiser and Supervisory Appraiser***

As of July 1, 2013, any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” and “supervisory appraiser” must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as “registered appraiser,” “apprentice appraiser,” “provisional appraiser,” or any other similar designation to determine if, in substance, such designation is consistent with a “trainee appraiser” designation and, therefore, administered to comply with Title XI. Effective July 1, 2013, the permitted scope of practice and designation for trainee appraisers and supervisory appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

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

### **E. Non-federally Recognized Credentials**

States using non-federally recognized credentials or designations<sup>25</sup> must ensure that they are easily distinguished from the federally recognized credentials.

### **F. Appraisal Standards**

Title XI and the Federal financial institutions regulatory agencies’ regulations mandate that all appraisals performed in connection with federally related transactions be in written form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with

USPAP.<sup>26</sup> States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the latest version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

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

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

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<sup>25</sup> See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

<sup>26</sup> See Appendix B, *Glossary of Terms* for the definition of “Uniform Standards of Professional Appraisal Practice.”

## G. Exemptions

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of only State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.<sup>27</sup> A State may not exempt any individual or group of individuals from meeting the State's certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

## H. ASC Staff Attendance at State Board Meetings

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

## I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.<sup>28</sup>
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.<sup>29</sup>

3. States must have policies, practices and procedures consistent with Title XI.<sup>30</sup>
4. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>31</sup>
5. States must use proper designations and permitted scope of practice for certified residential or certified general classifications, and as of July 1, 2013, a State must use the proper designations and permitted scope of practice for the licensed classification, and trainee and supervisor classifications.<sup>32</sup>
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.<sup>33</sup>
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.<sup>34</sup>
8. State agencies must be granted adequate authority by the State to maintain an effective regulatory Program in compliance with Title XI.<sup>35</sup>

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<sup>27</sup> Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

<sup>28</sup> Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>29</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>30</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>31</sup> Id; Title XI § 1118 (b), 12 U.S.C. § 3347.

<sup>32</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

<sup>33</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>34</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

<sup>35</sup> Title XI § 1118 (b), 12 U.S.C. § 3347.

## POLICY STATEMENT 2

### Temporary Practice

#### A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment<sup>36</sup> for a federally related transaction. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and is not “burdensome” as determined by the ASC or involve excessive fees. Thus, a credentialed appraiser<sup>37</sup> from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry to verify credential status on applicants for temporary practice.

#### B. Excessive Fees or Burdensome Requirements

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.<sup>38</sup> Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

1. Host State agencies must:
  - a. issue temporary practice permits on an assignment basis;
  - b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
  - c. issue temporary practice permits designating the actual date of issuance;
  - d. take regulatory responsibility for a temporary practitioner’s unethical, incompetent and/or fraudulent practices performed while in the State;

- e. notify the appraiser’s home State agency<sup>39</sup> in the case of disciplinary action concerning a temporary practitioner; and
- f. allow at least one temporary practice permit extension through a streamlined process.

2. Host State agencies may not:
  - a. limit the valid time period of a temporary practice permit to less than 6 months, except in the case of an appraiser not holding a credential in active status for at least that period of time;
  - b. limit an appraiser to one temporary practice permit per calendar year;<sup>40</sup>
  - c. charge a temporary practice permit fee exceeding \$250, including one extension fee;
  - d. impose State appraiser qualification requirements upon temporary practitioners that exceed AQB Criteria for the credential held;
  - e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
  - f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
  - g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
  - h. prohibit temporary practice.

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<sup>36</sup> See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

<sup>37</sup> See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

<sup>38</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

<sup>39</sup> See Appendix B, *Glossary of Terms*, for the definition of “home State agency.”

<sup>40</sup> State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser’s temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

3. Home State agencies may not:
  - a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
  - b. fail to take disciplinary action, if appropriate, when one of its certified or licensed appraisers is disciplined by another State agency for unethical, incompetent or fraudulent practices under a temporary practice permit.

2. State agencies must adhere to mandates and prohibitions as determined by the ASC that deter the imposition of excessive fees or burdensome requirements for temporary practice.<sup>42</sup>

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<sup>41</sup> Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

<sup>42</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351

### **C. Summary of Requirements**

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.<sup>41</sup>



## POLICY STATEMENT 3

### National Registry

#### A. Requirements for the National Registry

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions.<sup>43</sup>

Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the Registry fee as set by the ASC<sup>44</sup> from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the National Registry does not qualify for the credential held.

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

Only AQB-compliant certified and, effective July 1, 2013, AQB-compliant licensed appraisers in active status on the National Registry are eligible to perform appraisals in connection with federally related transactions.

Some States may give State certified or licensed appraisers an option to not pay the Registry fee. If a State certified or licensed appraiser chooses not to pay the Registry fee, then the Program must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals in connection with non-federally related transactions.<sup>45</sup> The Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the National Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the National Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's National Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. State agencies must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the National Registry and reporting procedures to those States not using the ASC extranet application.<sup>46</sup> The ASC strongly encourages the States to utilize the extranet application as a more secure method of submitting information to the National Registry.

The ASC creates a unique National Registry number for each listed appraiser and protects each appraiser's privacy rights. This unique identifier is available to appropriate State and Federal regulatory agencies to simplify multi-State queries regarding specific appraisers.

#### B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual Registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the National Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year Registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the National

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<sup>43</sup> Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

<sup>44</sup> Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

<sup>45</sup> See Appendix B, *Glossary of Terms*, for the definition of "non-federally related transactions."

<sup>46</sup> See section D, *Information Sharing*, below requiring all States to report disciplinary action via the extranet application by July 1, 2013.



Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's National Registry fee may result in the status of that appraiser being listed as "inactive." When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the National Registry, for whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

### **C. Access to National Registry Data**

The ASC website provides free access to the public portion of the National Registry at [www.asc.gov](http://www.asc.gov). The public portion of the National Registry data may be downloaded using predefined queries or user-customized applications.

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

### **D. Information Sharing**

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

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

State agencies must report as soon as practicable any disciplinary action<sup>47</sup> taken against an appraiser to the ASC. Prior to July 1, 2013, at a minimum, this information must be submitted with the State's monthly, or more frequent, Registry data submission. As of July 1, 2013, all States will be required to report disciplinary action via the extranet application. States not reporting via the extranet application will be required to provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (i.e., voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the State agency must notify the ASC of such action as soon as practicable, but no later than five (5) business days after the disciplinary action is final, in order for the appraiser's status to be changed on the National Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.

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

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<sup>47</sup> See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

## E. Summary of Requirements

1. States must reconcile and pay National Registry invoices in a timely manner.<sup>48</sup>
2. States must submit all disciplinary actions to the ASC for inclusion on the National Registry.<sup>49</sup>
3. As of July 1, 2013, all States will be required to report disciplinary action via the extranet application as soon as practicable.<sup>50</sup>
4. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.<sup>51</sup> (States should ensure that the authorization information provided to the ASC is kept current.)
5. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the National Registry protect the right of access and not share the User Name or Password with anyone.<sup>52</sup>
6. States must ensure the accuracy of all data submitted to the National Registry.<sup>53</sup>
7. States must submit appraiser data to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.<sup>54</sup>
8. States must notify the ASC as soon as practicable of voluntary surrenders, suspensions, revocations, or any other action that interrupts a credential holder's ability to practice.<sup>55</sup>
9. If a State certified or licensed appraiser chooses not to pay the Registry fee, the State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.<sup>56</sup>

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<sup>48</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

<sup>49</sup> Id.

<sup>50</sup> Id.

<sup>51</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>52</sup> Id.

<sup>53</sup> Id.

<sup>54</sup> Id.

<sup>55</sup> Id.

<sup>56</sup> Id.

## POLICY STATEMENT 4

### Application Process

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers. In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.<sup>57</sup>

#### A. Processing of Applications

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

#### B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

1. the applicant's claimed education courses are acceptable under AQB Criteria; and
2. the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

Documentation must be provided to support education claimed by applicants for initial credentialing or upgrade. States may not accept an affidavit for education claimed from applicants for certification. Effective July 1, 2013, States may not accept an affidavit for education claimed from applicants for any federally recognized credential.<sup>58</sup> States must maintain adequate documentation to support verification of education claimed by applicants.

#### C. Continuing Education for Reinstatement and Renewal Applications

##### 1. Reinstatement Applications

1. the applicant's claimed continuing education courses are acceptable under AQB Criteria; and
2. the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

Documentation must be provided to support continuing education claimed by applicants for reinstatement. States may not accept an affidavit for continuing education claimed from applicants for reinstatement. States must maintain adequate documentation to support verification of claimed education.

##### 2. Renewal Applications

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

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<sup>57</sup> Includes applications for credentialing of State licensed, certified residential or certified general classifications, and trainee and supervisor classifications.

<sup>58</sup> If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials effective July 1, 2013.

a. *Validation objectives*—The State’s validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

b. *Minimum Standards*—The following minimum standards apply to these audits:

1. Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 days from the date the renewed credential is issued;
2. States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure;
3. The State must determine that the education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course;
4. When a State determines that an appraiser’s continuing education does not meet AQB Criteria, the State must take appropriate action to suspend the appraiser’s eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC as soon as practicable after taking such action in order for the appraiser’s record on the National Registry to be updated appropriately; and
5. If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action<sup>59</sup> to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.

c. *Documentation*—States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

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

## **D. Experience for Initial or Upgrade Applications**

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for certification. Effective July 1, 2013, States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.<sup>60</sup>

### **1. Validation Required**

States must implement a reliable validation procedure to verify that each applicant’s:

1. experience meets AQB Criteria;
2. experience is USPAP compliant; and
3. experience hours have been successfully completed consistent with AQB Criteria.

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<sup>59</sup> For example:

- (1) a State may conduct an additional audit using a higher percentage of audited appraisers; or
- (2) a State may publically post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

<sup>60</sup> See Appendix B, Glossary of Terms, for the definition of “federally recognized credential.” If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser’s application to upgrade to a certified classification, the State must require experience documentation to support the appraiser’s qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser’s initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

## 2. Validation Procedures, Objectives and Requirements

### a. Selection of Work Product

Program staff or State board members must select the work product to be analyzed for USPAP compliance; applicants may not have any role in selection of work product. States must analyze a representative sample of the applicant's work product.

### b. USPAP Compliance

For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination.

### c. Determination of Experience Time Periods

When measuring the experience time period required by AQB Criteria, States must review each appraiser's experience log and note the dates of the first and last acceptable appraisal activity performed by the applicant. At a minimum, the time period spanned between those appraisal activities must comply with the AQB Criteria.

### d. Supporting Documentation

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

## E. Examination

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

## F. Summary of Requirements

### *Processing of Applications*

1. States must process applications in a consistent, equitable and well-documented manner.<sup>61</sup>
2. States must ensure appraiser credential applications submitted for processing do not contain expired examinations as established by AQB Criteria.<sup>62</sup>

### *Education*

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.<sup>63</sup>
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.<sup>64</sup>
3. States must maintain adequate documentation to support verification.<sup>65</sup>
4. States may not accept an affidavit for education claimed from applicants for certification. Effective July 1, 2013, States may not accept an affidavit for education claimed from applicants for any federally recognized credential.<sup>66</sup>
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.<sup>67</sup>

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<sup>61</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>62</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.<sup>68</sup>
7. Audits of affidavits for continuing education credit claimed must be completed within sixty days from the date the renewed credential is issued.<sup>69</sup>
8. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.<sup>70</sup>
9. States must require the 7-hour National USPAP Update Course for renewals consistent with AQB Criteria.<sup>71</sup>
10. States must take appropriate action to suspend an appraiser's eligibility to perform appraisals in federally related transactions when it determines that the appraiser's continuing education does not meet AQB Criteria until such time that the requisite continuing education has been completed. The State must notify the ASC as soon as practicable after taking such action in order for the appraiser's record on the National Registry to be updated appropriately.<sup>72</sup>

#### *Experience*

1. States may not accept an affidavit for experience credit claimed from applicants for certification. Effective July 1, 2013, States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.<sup>73</sup>
2. States must ensure that appraiser experience logs conform to AQB Criteria.<sup>74</sup>
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.<sup>75</sup>

4. States must select the work product to be analyzed for USPAP compliance on all initial or upgrade applications for appraiser credentialing.<sup>76</sup>
5. States must analyze a representative sample of the applicant's work product on all initial or upgrade applications for appraiser credentialing.<sup>77</sup>
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial applications for appraiser credentialing.<sup>78</sup>
7. Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination.<sup>79</sup>

#### *Examination*

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.<sup>80</sup>

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<sup>68</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>69</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>70</sup> *Id.*

<sup>71</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>72</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>73</sup> *Id.*

<sup>74</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>75</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>76</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

<sup>80</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.



## POLICY STATEMENT 5

### Reciprocity

#### A. Reciprocity Policy

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. Beginning July 1, 2013, the ASC will monitor Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.<sup>81</sup> Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND  
(ii) the credentialing requirements of the Home State (as they exist at the time of application for reciprocal credential) meet or exceed those of the reciprocal credentialing State (Reciprocal State) (as they exist at the time of application for reciprocal credential).

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy. However, States cannot impose additional impediments to issuance of reciprocal credentials.<sup>82</sup>

For purposes of implementing the reciprocity policy, States with an ASC Finding<sup>83</sup> of "Poor" do not satisfy the "in compliance" provision for reciprocity. Therefore, States are not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of "Poor."

#### B. Application of Reciprocity Policy

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

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND  
(ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

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

#### 2. Credentialing Requirements

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

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<sup>81</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>82</sup> Effective July 1, 2013, States will be evaluated for compliance with this Title XI requirement.

<sup>83</sup> See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

### *3. Multiple State Credentials*

An appraiser credentialed in several states is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a "letter of good standing" from the State of original credentialing as a condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

### **C. Appraiser Compliance Requirements**

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.<sup>84</sup>

### **D. Summary of Requirements**

1. Effective July 1, 2013, in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI.<sup>85</sup>
2. States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.<sup>86</sup>

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<sup>84</sup> A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

<sup>85</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>86</sup> *Id.*



## POLICY STATEMENT 6

### Education

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

#### A. Course Approval

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

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery.

States should ensure that educational providers are afforded equal treatment in all respects.<sup>87</sup>

The ASC encourages States to accept courses approved by the AQB's Course Approval Program.

#### B. Distance Education

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

#### C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.<sup>88</sup>
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.<sup>89</sup>
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery.<sup>90</sup>

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<sup>87</sup> For example:

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

<sup>88</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>89</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>90</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

## POLICY STATEMENT 7

### State Agency Enforcement

#### A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.<sup>91</sup>

#### B. Enforcement Process

States must ensure that the system for processing and investigating complaints<sup>92</sup> and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

##### 1. *Timely Enforcement*

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

##### 2. *Effective Enforcement*

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

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

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

Closure of a complaint based on a State’s statute of limitations results in dismissal of a complaint without the investigation of the merits of the complaint, and is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.<sup>93</sup>

##### 3. *Consistent and Equitable Enforcement*

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

##### 4. *Well-Documented Enforcement*

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

###### *a. Complaint Files*

Complaint files must:

- include documentation outlining the progress of the investigation;

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<sup>91</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>92</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

<sup>93</sup> Title XI § 1117, 12 U.S.C. § 3346.

- demonstrate that appraisal reports are analyzed and all USPAP violations are identified;
- include rationale for the final outcome of the case (i.e., dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

*b. Complaint Logs*

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

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

## C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>94</sup>
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.<sup>95</sup>
3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.<sup>96</sup>
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.<sup>97</sup>
5. States must appropriately document enforcement files and include rationale.<sup>98</sup>
6. States must regulate, supervise and discipline their credentialed appraisers.<sup>99</sup>
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified.<sup>100</sup>

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<sup>94</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>95</sup> *Id.*

<sup>96</sup> *Id.*

<sup>97</sup> *Id.*

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

## POLICY STATEMENT 8

### Interim Sanctions

#### A. Authority

Title XI grants the ASC authority to impose interim sanctions on individual appraisers pending State agency action and on State agencies that fail to have an effective Program as an alternative to or in advance of a non-recognition proceeding. In determining whether a Program is effective the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Report issued to a State at the conclusion of an ASC Compliance Review will trigger an analysis by the ASC for potential interim sanction(s).<sup>101</sup> The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

#### B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

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

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

#### C. Procedures

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

##### 1. Notice

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers, the investigation of complaints, and enforcement actions against appraisers.<sup>102</sup> The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the Federal Register.

##### 2. State Agency Response

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions.

Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

##### 3. Briefs, Memoranda and Statements

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

##### 4. Oral Presentations to the ASC

Within 45 days after the date of receipt by the State agency of the Notice as published in the Federal Register, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting<sup>103</sup> of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral

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<sup>101</sup> Imposition of an interim sanction against a State agency may result in appraisers credentialed by that State being removed from the National Registry on an interim basis, not to exceed 90 days, pending State agency action.

<sup>102</sup> *Id.*

<sup>103</sup> The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC—to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

### **5. Conduct of Interim Sanction Proceedings**

(a) *Written Submissions.* All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

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

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

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

### **6. Decision of the ASC and Judicial Review**

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall

publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

### **7. Computing Time**

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

### **8. Documents and Exhibits**

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

### **9. Judicial Review**

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.<sup>104</sup>

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<sup>104</sup> 5 U.S.C. § 703—*Form and venue of proceeding.*

## APPENDIX A

### Compliance Review Process

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

Based on the Review, ASC staff provides the State with an ASC staff report detailing preliminary findings. The State is given 60 days to respond to the ASC staff report. At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State with the ASC Finding on the Program's overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the seven compliance areas are cited in the Report. "Areas of Concern"<sup>105</sup> which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC's final disposition is based upon the ASC staff report, the State's response and staff's recommendation.

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI. The ASC has two primary Review Cycles: two-year and one-year. Most

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

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

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<sup>105</sup> See Appendix B, *Glossary of Terms*, for the definition of "Areas of Concern."

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor <sup>106</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

<sup>106</sup> An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.



## APPENDIX B

### Glossary of Terms

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

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

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

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

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

- a. revocation of credential
- b. suspension of credential
- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender in lieu of disciplinary action
- g. other acts as defined by State statute or regulation as disciplinary

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

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

- a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and
- b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

**Federal financial institutions regulatory agencies:**

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

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

**Non-federally recognized credentials or designations:**

Refers to any State appraiser credential or designation other than State licensed, certified residential or certified general classifications, and trainee and supervisor classifications as defined in Policy Statement 1, and which is not recognized by the federal regulators for purposes of their appraisal regulations.

**Real estate related financial transaction:** Any transaction involving:

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

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

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

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

**Uniform Standards of Professional Appraisal Practice**

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