

APPRAISAL SUBCOMMITTEE

ANNUAL
REPORT
2017

*Federal
Financial
Institutions
Examination
Council*

APPRAISAL SUBCOMMITTEE
Federal Financial Institutions Examination Council

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REPORT
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Letter of Transmittal

June 14, 2018

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 2017 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

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Introduction

The Appraisal Subcommittee

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

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
- 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 institution⁴
- establish and operate an appraisal complaint national hotline, including a toll-free telephone number and email address, for the referral of complaints concerning alleged violations of appraisal independence standards and/or Uniform Standards of Professional Appraisal Practice (USPAP)
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (Foundation)
- transmit an annual report to Congress not later than June 15 of each year that describes the way each function assigned to the ASC has been carried out during the preceding year

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

² Title XI § 1101, 12 U.S.C. § 3331.

³ A federally related transaction includes any real estate-related financial transaction which: (a) a Federal financial institutions regulatory agency engages in, contracts for, or regulates; and (b) requires the services of an appraiser under the interagency appraisal rules. [(Title XI § 1121 (4), 12 U.S.C. § 3350), implemented by the 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 FR 15900 (March 30, 2017)).

⁴ The final rule to implement collection and transmission of annual AMC registry fees was published by the ASC in the September 25, 2017 issue of the Federal Register (82 FR 44493). The Final Rule's effective date was November 24, 2017.

Title XI also requires the ASC to:

- make grants in such amounts as it deems appropriate to the Foundation to help defray costs relating to the activities of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB)
- make grants to State appraiser certifying and licensing agencies in accordance with policies developed by the ASC 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), Bureau of Consumer Financial Protection (Bureau), 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

2017 was an eventful year for the Appraisal Subcommittee. One of the ASC's core responsibilities 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 or States). 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 conformance with AQB Criteria. In 2017, 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 2017, there were 12 States rated as Excellent, 11 Good and 2 Needs Improvement. No States were rated as Not Satisfactory or Poor, with 92% of the States being rated as Excellent or Good. All States have been reviewed twice since the new rating system was initiated in 2013 and the ASC has a clear indication that most, if not all, States make significant efforts to achieve an Excellent rating. Although there is still room for improvement, this is a good indication that most States understand Title XI requirements and the ASC's Policy Statements on how to comply with Title XI.

Pursuant to changes resulting from the Dodd-Frank Act, in September of 2017, the ASC published its first rule in over 20 years to implement the statutory requirement to establish a fee structure for the AMC Registry. The rule set the annual AMC registry fee for States with an AMC regulatory program to transmit to the ASC. The AMC Registry framework is complete and will be ready to accept State AMC data no later than July 16, 2018.

On November 13, 2017, the Appraisal Subcommittee hosted a roundtable with over 65 industry leaders from more than 60 private, federal, and state organizations entitled *The Evolving Real Estate Valuation Landscape*. The goal of the roundtable was to identify areas of federal regulation that can be simplified to reduce burden on industry participants and the public. The roundtable identified several issues and areas of concern that may be the subject of future study. The roundtable report is available on page 17.

During 2017, the ASC implemented the appraiser unique identification number (UID). The UID will permit any user of the National Registry of Appraisers (Appraiser Registry) to see all credentials of a single appraiser nationwide regardless of which State license or certification number is entered. As of December 31, 2017, 24 States have implemented UID.

The UID has 3 main objectives:

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

Recognizing the need to upgrade the Appraiser Registry performance, the UID project was initiated by the ASC, and States are voluntarily participating to improve various aspects of appraisal regulation for the numerous stakeholders that rely on appraisers and the Appraiser Registry.

The total number of active appraisal credentials on the Appraiser Registry as of December 31, 2017, was 95,731; this number represents the total number of licenses and certifications, but does not reflect the number of individual appraisers as some appraisers are credentialed in multiple States. With the complete implementation of the UID, the ASC will be able to more accurately identify how many individual real property appraisers are credentialed. The number of credentials is down from 96,856 on December 31, 2016, a drop of 0.5%.

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 AQB, ASB, Appraisal Practices Board (APB), and the Board of Trustees (BOT). From time to time, ASC staff and/or the ASC 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 continued to provide grant funds to the Foundation to help defray costs for grant-eligible activities of the AQB and ASB. For fiscal year 2017, the ASC awarded the Foundation \$350,000.

The ASC also funded State grants, administered by the Foundation, in the amount of \$309,085, 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 2017, 125 State employees attended the training, with over 950 attendees over the past eight years. This training was initially developed jointly by the Foundation, the Association of Appraiser Regulatory Officials (AARO) and ASC staff. This specialized training has proven to be invaluable to the States and is likely related to the continued improvement in Title XI compliance by the States. 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 and/or Federal agency for complaints of alleged violations of USPAP and/or non-compliance with appraisal independence standards. The Hotline statistics for 2017 are in Appendix F.

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 providing the ASC with the necessary resources to fulfill its statutory mandates in a transparent and efficient manner.

Appraisal Subcommittee

Member Representatives

The ASC has seven members, each designated respectively by the head of their agency, including the Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency, Federal Housing Finance Agency, and the Department of Housing and Urban Development. Title XI also requires the FFIEC to appoint a Chair 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: Cherylayne Walker

Member Since: August 2017

Ms. Walker is the Director of the Home Valuation Policy Division of HUD

Alternate Member: Bobbi Borland

Alternate Member Since: August 2017



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.

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.



Bureau of Consumer Financial Protection

Member: Veronica Spicer

Member Since: February 2017

Ms. Spicer is Senior Counsel for Enforcement Policy and Strategy

Alternate Member: Philip Neary

Alternate Member Since: February 2017

Administration of the Appraisal Subcommittee

Staff Listing

James R. Park, Executive Director

Denise E. Graves, Deputy Executive Director

Alice M. Ritter, General Counsel

Ada L. Bohorfoush, 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 February, May, September and November 2017. Instructions on how to submit a request to attend the public portion of a meeting are available on the ASC website (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 *Real Property Appraiser Qualification Criteria* (AQB Criteria) and ASC Policy Statements. Current Policy Statements are set forth in Appendix H, *Reference Materials*, 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.⁵ 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 2017, ASC Policy Managers conducted 25 Reviews; one Follow-up Review; and ten Priority Contacts. Due to Hurricane Maria a Follow-up Review on the Virgin Islands and the Compliance Review of Puerto Rico were cancelled. Those Reviews will be rescheduled. The Guam and Northern Mariana Islands Compliance Reviews were changed to Priority Contacts in 2017, even though it has been two years since the last Compliance Review, ASC staff determined that a phone contact would be sufficient to understand any risks in Title XI compliance. (See Appendix B, *2017 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.

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

⁵ Priority Contact visits may be performed onsite or by telephone.

recommendations along with responses from the State Program before rendering a decision. A final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI is then issued. (See Appendix B, *2017 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 2017, 12 States (48%) were rated to be Excellent; 11 States (44%) were rated to be Good; 2 States (8%) were rated to be Needs Improvement; and no State was rated 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 *2017 Compliance Review Findings* (Appendix B).

Appraisal Roundtable Report

On November 13, 2017, the ASC hosted a roundtable entitled *The Evolving Real Estate Valuation Landscape*. The ASC held the event to provide a forum to discuss developments in the real estate valuation field, changes in residential and commercial lending practices, and opportunities to streamline appraisal requirements. The event included 67 individuals representing almost 60 corporate, non-profit and government organizations, 11 of which were federal government agencies.

The Roundtable was viewed as a success and a follow-up event is being planned for 2018. Several topics of discussion from the 2017 event may be considered at the next roundtable event, including:

- Options for encouraging more appraisers to enter the profession and for increasing the number of appraisers in rural communities

- Potential benefits of bifurcating USPAP into residential standards and non-residential standards
- Ways to standardize the scope of work (including engagement letters) required for routine appraisal assignments and reduce the number of lender and AMC overlays
- Quality control standards for automated valuation products
- Methods to encourage further innovation of automated collateral valuation and hybrid tools

The ASC and its member agencies participated as neutral parties and have not taken positions on the topics discussed during the Roundtable.

Appraisal Foundation Monitoring and Oversight

The ASC monitors and reviews the Appraisal Foundation, including the AQB, ASB, and Appraisal Practices Board (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 2017, The Board of Trustees (BOT) of The Appraisal

Foundation (Foundation) voted to temporarily suspend the activities of the Appraisal Practices Board (APB). In monitoring the Foundation, the ASC attends AQB, ASB and Board of Trustees (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].”⁶

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 be included in the ASC’s Annual Budget and meet the following requirements:

- ASB expenses must be related to the development, interpretation, amendment or advancement of USPAP, or related special projects
- 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
- BOT expenses must be related to the development, interpretation, amendment or advancement of the USPAP or the AQB Criteria

The ASC evaluates the impact of grant funding on the ASC’s financial condition to ensure consistency with its operating policies for maintaining appropriate reserves. The ASC awarded \$350,000 in grant funds to the Foundation in fiscal year 2017. Since the ASC’s inception in 1989, it has provided approximately \$21 million in aggregate grant funds to the Foundation.

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-122.⁷ 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

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

⁷ 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 funds were obligated within the period of availability and obligations were liquidated within the required time period
- Determine whether revenues are correctly recorded and disbursed in accordance with the grant/program requirements
- Determine whether activities related to the grant occurred when the Foundation incurred the expenditure
- Ascertain the costs charged to the meetings are in compliance with the grant agreement
- 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.⁸ The ASC provided grant funds in 2017 in the amount \$309,085, 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 2018. Since the Investigator Training Program started in 2009, approximately \$2.1 million in grant funds has been given to support the States. The ASC continues to review other options for the use of State grant funds, including additional educational programs for State regulators.

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

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.⁹ As of December 31, 2017, the Appraiser Registry contained 95,732¹⁰ appraiser credentials down 0.5% from the 96,228 entries at the end of 2016, 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), 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 2017, 30% 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 reduce costs, increase efficiency, and allow 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 15,367 disciplinary actions taken against appraisers for misconduct or wrongdoing over the past 10 years. (See Appendix E, *Appraiser Disciplinary Actions Reported by States*.)

⁹ Title XI § 1109(b)(1), 12 U.S.C. § 3338(b)(1).

¹⁰ This number does not represent the number of individual appraisers as some appraisers have credentials from multiple States.

Appraisal Complaint National Hotline

Title XI established certain requirements for the ASC to establish and operate a national hotline to receive complaints of non-compliance with the appraisal independence standards and/or USPAP, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process.¹¹ The ASC began operation of the Appraisal Complaint National Hotline (Hotline) on March 15, 2013. The Hotline refers complainants to the appropriate State and/or Federal agencies to handle complaints of alleged non-compliance with USPAP and/or appraisal independence standards. The Hotline 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 2,659 contacts in calendar year 2017. Additionally, the toll-free telephone number received 242 calls and the email portal received 3 contacts. These contacts resulted in 321 referrals to State and Federal agencies. Appendix F, *Appraisal Complaint National Hotline*, contains more detailed information on the source of contacts, specific agency referrals, and

whether the contact concerned issues of potential non-compliance with appraisal independence standards or violations of USPAP. Since the Hotline was designed as a referral system, it does not collect data on the resolution of complaints referred to the State or Federal agencies. Appendix G, *Agency Complaint Data*, also contains data reported by the Federal financial institution regulatory agencies and the Bureau concerning complaints received by them during calendar year 2017. The numbers reported in this table differ from those reported in the ASC's table for several reasons. The Hotline is a referral tool available to a wide range of users; consequently, not all complainants who access the Hotline will proceed to filing a complaint with one of the agencies, or they may choose to file a complaint with their State appraiser regulatory agency. Additionally, the reported data includes all appraisal-related complaints received by the Federal agency without identifying whether the complainant used the Hotline to obtain the referral information. States do not report data on appraisal-related complaints to the ASC, although a State's processing and disposition of complaints are part of the Compliance Review process.

¹¹ Title XI § 1122(i), 12 U.S.C. § 3351(i).

Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the Federal financial institutions regulatory agencies and HUD adopted appraisal-related rules and policies. The OCC, Federal Reserve, FDIC and NCUA also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines) that clarify the long-standing expectations for an institution's appraisal and evaluation program.¹² The Guidelines address an institution's collateral valuation function, including appraisal independence, minimum appraisal standards for federally related transactions, the development and content of evaluations, appraisals for

residential tract development lending and background on USPAP. The appraisal regulations require federally regulated institutions to ensure that appraisals supporting federally related transactions, among other things, comply with USPAP and are performed by a State certified or State licensed appraiser.¹³

¹² See 75 *Federal Register* 77450 (December 10, 2010).

¹³ FDIC: 12 CFR Part 323, subpart A; Board: 12 CFR 225.61(b); 12 CFR Part 208, subpart E; OCC: 12 CFR Part 34, subpart C; NCUA: 12 CFR Part 722.

Interagency Activity

Automated Valuation Models (AVMs)

Title XI requires that the OCC, Federal Reserve, the FDIC, NCUA, the the Federal Housing Finance Agency (FHFA) and the Bureau, in consultation with the staff of the ASC and the ASB, promulgate regulations implementing quality control standards for AVMs.¹⁴ AVMs 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.”¹⁵ The AVM regulations shall implement requirements that AVMs adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs, protect against the manipulation of data, seek to avoid conflicts of interest, require random sample testing and reviews, and account for any other factor these agencies deem appropriate.¹⁶ The interagency group continued development of these regulations in 2017.

Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA)

In March 2017, the Federal Reserve, OCC, and FDIC (the Agencies) jointly issued a final report to Congress detailing activities undertaken as part of EGRPRA. During the EGRPRA process, the Agencies and NCUA conducted a review of their regulations, including appraisal regulations, to identify outdated or otherwise unnecessary regulatory requirements imposed on insured financial institutions. In keeping with the recommendations of the EGRPRA report, the Agencies published a proposal to amend their appraisal regulations to increase the monetary threshold for when an appraisal is required for “commercial real estate transactions” on July 31, 2017 (CRE Threshold Proposal).¹⁷ The Agencies expect to adopt a rule based on the proposal in 2018.

Joint Guidance Related to Appraisals

The Agencies and the NCUA issued several pieces of joint guidance related to appraisals in 2017. In May 2017, the Agencies and the NCUA issued an Interagency *Advisory on the Availability of Appraisers* to inform institutions of ways to comply with regulatory requirements if an area of the country experiences an appraiser shortage. The Agencies and NCUA also issued guidance regarding appraisal requirements for institutions affected by natural disasters. In October 2017, the Agencies and NCUA issued *Temporary Exceptions to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) Appraisal Requirements in Areas Affected by Severe Storms and Flooding Related to Hurricanes Harvey, Irma and Maria*. This order provided temporary exceptions from the appraisal regulation for transactions in areas affected by the hurricanes. In December 2017, the Agencies and NCUA issued *Interagency Supervisory Examiner Guidance for Institutions Affected by a Major Disaster*. This guidance describes factors, including appraisals, examiners should consider when assessing institutions affected by a major disaster.

Higher-Priced Mortgage Loans

On November 9, 2017, the Bureau, the Federal Reserve, and the OCC published amendments in the Federal Register to the official interpretations and commentary for their regulations implementing TILA. These amendments dealt with the exemption threshold for appraisal requirements for higher-priced mortgage loans. Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers in effect as of June 1, 2017, the exemption threshold increased from \$25,500 to \$26,000, effective as of January 1, 2018.¹⁸

¹⁴ Title XI § 1125(b), 12 U.S.C. § 3354(b).

¹⁵ Title XI § 1125(d), 12 U.S.C. § 3354(d).

¹⁶ Title XI § 1125(a), 12 U.S.C. § 3354(a).

¹⁷ 82 FR 35478.

¹⁸ 82 FR 51973.

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. From mid-September through late November 2017, representatives from the agencies participated in six roundtable meetings with community bankers and state banking commissioners, at which bankers discussed a variety of topics related to appraisals and appraiser availability, including the CRE Threshold Proposal. The roundtables were organized and coordinated by the Conference of State Bank Supervisors and were held in Michigan, Montana, North Dakota, South Dakota, Tennessee, and Wyoming.

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. This outreach included panel discussions, roundtables, and presentations. Through this outreach, the agency provided training, information, and guidance on real estate lending, appraisals, and evaluations.

Federal Deposit Insurance Corporation

The FDIC provided guidance to and conducted outreach meetings with various segments of the lending community throughout 2017. The FDIC used programs, such as the Directors' College Program and the Technical Assistance

Video Program, to provide guidance on appraisals and evaluations. FDIC staff participated in outreach programs and panel discussions to explain its appraisal regulations and guidance to various members of the appraisal profession as well as users of appraisal services and appraiser regulators. FDIC staff also led roundtable discussions with other agencies and rural bankers to gather information on challenges in the industry. 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 jointly with the other FFIEC agencies granted temporary appraisal exemptions for financial institutions affected by storms and flooding in Florida, Georgia, Puerto Rico, Texas and the US Virgin Islands. In addition, NCUA continues to monitor appraisal threshold proposals. The NCUA is evaluating the merits of similar relief for credit unions.

Bureau of Consumer Financial Protection

In 2017, the Bureau 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. On August 24, 2017, the Bureau issued a final rule to make technical corrections and to clarify and amend certain requirements adopted by the 2015 HMDA Rule. Among other things, the 2015 HMDA Rule required the reporting of certain data points, including property value. The new data collection requirements included in the 2015 HMDA Rule were effective January 1, 2018 and applicable to data reported in or after 2019.

Shortly after issuing the 2015 HMDA Rule, the Bureau issued a number of resources to assist industry with understanding and implementing the new rule's requirements. These resources include an executive summary of the rule, two webinars, a chart that explains data and reporting requirements, and a HMDA Small Entity Compliance Guide. The HMDA Small Entity Compliance Guide

provides an easy-to-use summary of the rule and information that may be helpful for practitioners in the appraisal community.

Federal Housing Finance Agency

In early 2017 Freddie Mac completed its work on collateral representations and warranties relief for lenders on properties with appraisals that meet Freddie Mac property eligibility and appraisal quality standards. Like Fannie Mae, who released its collateral representations and warranties relief in late 2016, Freddie Mac uses its proprietary Automated Collateral Evaluation (ACE) assessment tool to review property appraisals for quality and accuracy. 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.

The Enterprises also released policies that allow appraisal waivers on certain purchase and refinance transactions. The loans are considered very low risk, may be already on Enterprise books, and/or have a prior appraisal in the Enterprise database. With sophisticated Enterprise tools utilizing big data, Fannie Mae and Freddie Mac are able to determine the property value on waiver eligible loans without the need and expense of an appraisal. This provides a cost and time savings for both borrowers and lenders. The volume of these loans overall compared to all Enterprise loan acquisitions is very small given the property and loan type eligibility requirements.

During 2017, both Fannie Mae and Freddie Mac focused on challenges faced by lenders and borrowers in obtaining

timely appraisals. FHFA hosted an appraisal industry workshop, along with participation from the Enterprises, to bring industry stakeholders together to discuss issues in the appraisal industry that contribute to the challenges they face. The Enterprises are in the process of analyzing the current appraisal process and developing strategies that will address challenges by using currently available technologies and enhancing the way real property appraisals are performed and completed.

Both Fannie Mae and Freddie Mac continued to enhance the Uniform Collateral Data Portal (UCDP) and are working on a plan for redesigning the appraisal forms to streamline the appraisal process. These changes will improve data quality, lower costs through process efficiency, improve geographic coverage, and address challenges faced by lenders and borrowers in obtaining timely and accurate appraisals at reasonable costs.

Department of Housing and Urban Development

During 2017, FHA continued to make enhancements to the Electronic Appraisal Delivery (EAD) process and participated in outreach events throughout the year with various industry stakeholders. A new Loan Review System (LRS) was implemented for post-endorsement loan reviews that consolidated most quality control functions and enhanced loan quality reporting and analytics. FHA also released guidance and developed self-paced, pre-recorded webinar training on originating and servicing FHA-insured mortgages in Presidentially-Declared Major Disaster Areas.

Activities of the Appraisal Foundation

The Appraisal Foundation is a not-for-profit corporation formed in 1987. It serves as the parent organization for two boards: the Appraisal Standards Board (ASB) which is responsible for promulgating and maintaining the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the Appraiser Qualifications Board (AQB) which establishes minimum credential criteria for appraisers performing work for federally related transactions, the *Real Property Appraiser Qualification Criteria* (Criteria). The Foundation Board of Trustees continued its oversight of the Boards during 2017.

2017 marked the 30th Anniversary of The Appraisal Foundation. During the course of the year, the ASB released a new edition of the standards, the 2018-19 USPAP. In addition, the AQB continued to consider proposed changes to the Criteria. The Foundation hosted two Valuation Roundtables and continued to focus on outreach to appraisers, regulators and consumers.

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 481 attendees completing Level 1, 344 completing Level 2 and 154 completing Level 3. The ASC funds the attendance by State regulators at investigator training courses through the State grant process.

Financial Status of the ASC

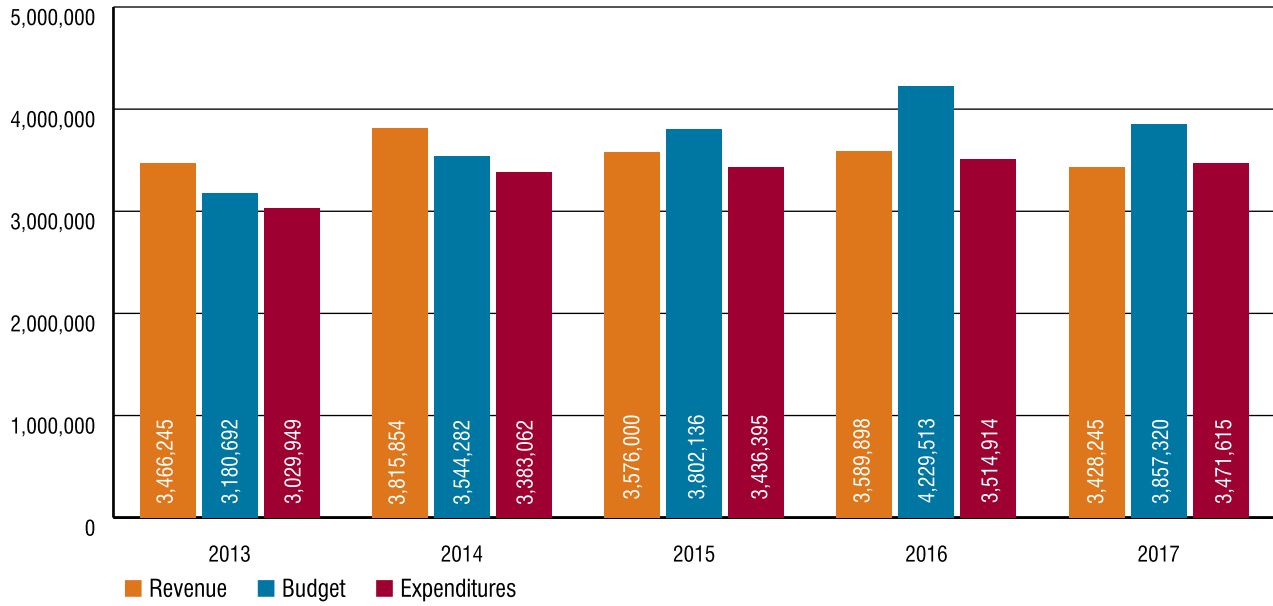
In fiscal year 2017, the ASC's revenue totaled approximately \$3.4 million and expenses (including the Foundation grant and State grants) totaled approximately \$3.5 million. All ASC funds are derived from the Appraiser Registry Fee that licensed and certified appraisers pay on an annual basis to be 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 2017, ending September 30, 2017. The ASC realized a net loss of approximately \$43,000. The ASC had reserves of approximately \$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.

Appraisal Subcommittee

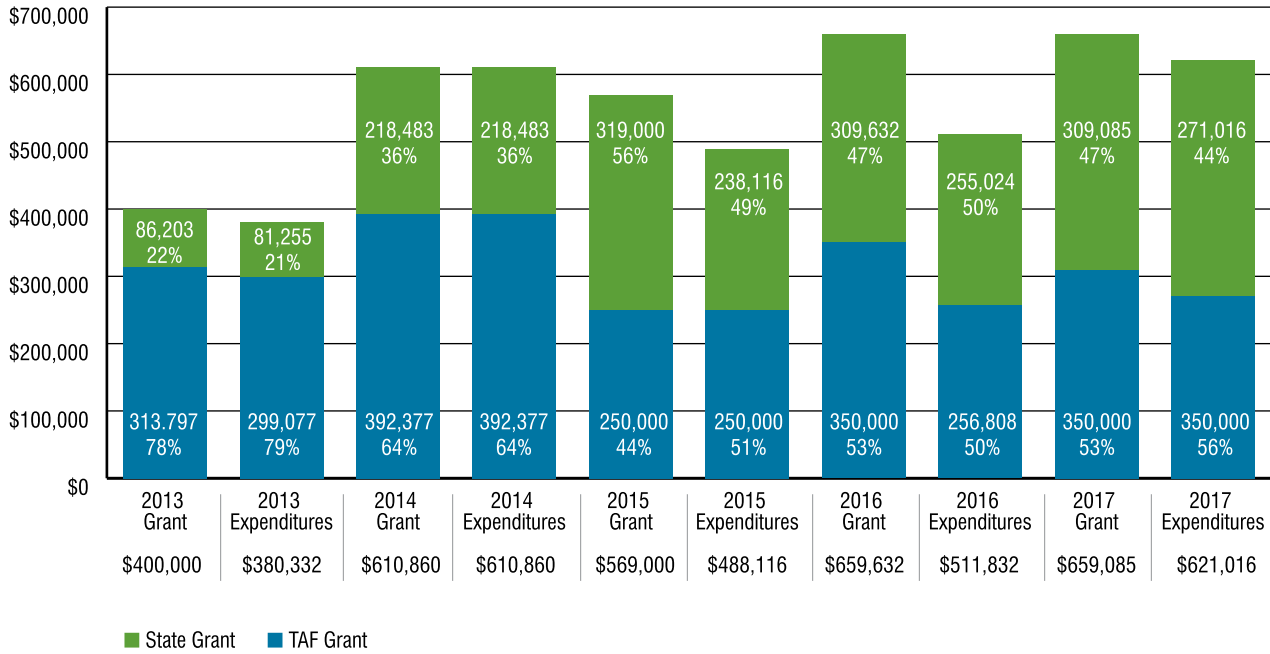


Appraisal Subcommittee (5 Year Trend)

| | Revenue | Budget | Actual Expenditures | % Expended |
|------|-------------|-------------|---------------------|------------|
| 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% |
| 2017 | \$3,428,245 | \$3,857,320 | \$3,471,615 | 90.0% |

Appraisal Subcommittee Grant Award

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



Appraisal Subcommittee Grant Awards

| | Awarded | Expended | % Expended |
|------|-----------|-----------|------------|
| 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% |
| 2017 | \$659,085 | \$621,016 | 94.2% |

Appendix A

Financial Statements

Appraisal Subcommittee Financial Statements

September 30, 2017

APPRAISAL SUBCOMMITTEE

Financial Statements

September 30, 2017 and 2016

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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 balance sheets as of September 30, 2017 and 2016, the related statements of net cost, changes in net position and budgetary resources for the years then ended, and the related notes to the financial statements.

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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget ("OMB") Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03, 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 on Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Appraisal Subcommittee as of September 30, 2017 and 2016, and its net cost, changes in net position and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* ("MD&A") section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on 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 ("internal control") 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.

Report on 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* or OMB Bulletin No. 17-03.

Management's Responsibility for Internal Control and Compliance

Appraisal Subcommittee's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act ("FMFIA"), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, and (3) ensuring compliance with other applicable laws and regulations.

Auditors' Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 17-03 requires testing, and (3) applying certain limited procedures with respect to the MD&A.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to Appraisal Subcommittee. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 17-03 that we deemed applicable to Appraisal Subcommittee's financial statements for the fiscal year ended September 30, 2017. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appraisal Subcommittee's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

February 26, 2018

Appraisal Subcommittee

Management's Discussion and Analysis

September 30, 2017

ASC History

The Appraisal Subcommittee (“ASC”) of the Federal Financial Institutions Examination Council (“FFIEC”) was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (“Title XI”). Title XI’s purpose is to “provide that Federal financial and public policy interests in real estate transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.”

In general, the ASC oversees the real estate appraisal process as it relates to federally related transactions, as defined in Section 1121(4) of Title XI(1). The ASC is an FFIEC subcommittee. The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The FFIEC is an interagency body empowered to set uniform principles for the examination of federally regulated financial institutions.

Section 1103 of Title XI sets out the ASC’s general responsibilities:

- Monitor the requirements for the certification and licensing of appraisers established by the States, Territories, and the District of Columbia (“States”). The ASC reviews each State’s compliance with the requirements of Title XI and is authorized to take action against non-complying States;
- Monitor the requirements established by the Federal financial institutions regulatory agencies regarding appraisal standards for federally related transactions;
- Maintain a national registry of State licensed and certified appraisers (Registry) who may perform appraisals in connection with federally related transactions; and
- Monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation (Foundation).

On July 21, 2010, the President signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) which includes amendments to Title XI. These statutory amendments expanded the ASC's general responsibilities within each of the aforementioned areas. The ASC will submit a report on its activities during the preceding year annually, by June 15th.

The Dodd-Frank bill also requires the registration and supervision of the operations and activities of appraisal management companies. The ASC will eventually monitor the States' regulations of these entities and maintain a National Registry of Appraisal Management Companies that are either registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a federally regulated financial institution.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

Before the enactment of Title XI, there were no universally accepted appraisal content standards, no system of licensing appraisers, no appraiser education and experience qualification standards, and no laws requiring the use of appraisals. Title XI created a regulatory framework that includes federal bank regulatory agencies, a federal agency with authority to monitor State activities, a nonprofit appraisal organization, and State agencies that license and certify appraisers.

Title XI also requires the ASC to:

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

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

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

The Appraisal Subcommittee's ("ASC") Mission Statement:

To provide federal oversight of State appraiser regulatory programs and a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies in their roles to protect federal financial and public policy interests in real estate appraisals utilized in federally related transactions.

Strategic Goals

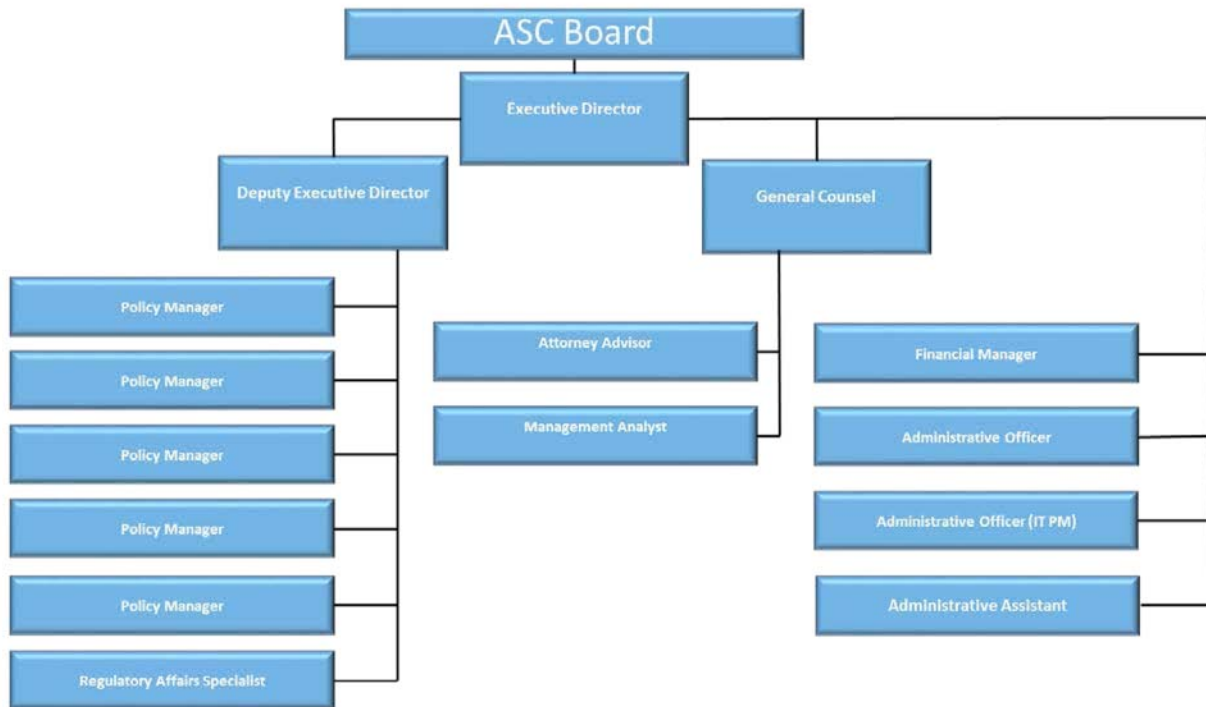
1. Promote Title XI-compliant State appraiser regulatory programs ("State Programs");
2. Monitor changes in regulatory appraisal standards of the ASC member agencies;
3. Monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation ("Foundation");
4. Implement the remaining additional authority granted by the Dodd-Frank Act, including the operation of the Appraisal Complaint National Hotline ("Hotline");
5. Maintain the National Registry of appraisers and develop a National Registry of appraisal management companies ("AMCs"); and
6. Prudently manage the ASC financial and staff resources to fulfill the ASC core statutory mandates.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

Appraisal Subcommittee Organizational Chart



Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

Performance Goals

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. 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. 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.

ASC Organizational Overviews

Compliance Review Process

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.

Appraisal Subcommittee

Management’s Discussion and Analysis – Continued

September 30, 2017

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

| ASC Finding | Rating Criteria | Review Cycle* |
|-------------------|---|-----------------------------------|
| Excellent | <ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure | 2-year |
| Good | <ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure | 2-year |
| Needs Improvement | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure | 2-year with additional monitoring |

Appraisal Subcommittee

Management’s Discussion and Analysis – Continued

September 30, 2017

| | | |
|------------------|---|-----------------------|
| Not Satisfactory | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure | 1-year |
| Poor | <ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure | Continuous monitoring |

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

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

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 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.

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

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

- Receive automatic notifications about new revocations, suspensions, surrenders, and certification/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.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

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.

Appraisal Management Company (“AMC”) Registry

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 registration and supervision of the operations and activities of appraisal management companies (“AMCs”) and to monitor the requirements established by the Federal financial institutions regulatory agencies with respect to maintaining 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.

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.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

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].”

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.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

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. 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
- 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. 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.

Appraisal Subcommittee

Management's Discussion and Analysis – Continued

September 30, 2017

Overview of the Financial Statements

The Management's Discussion and Analysis introduces ASC's principal statements. The principal statements include: (1) balance sheets, (2) statements of net cost, (3) statements of changes in net position, (4) statements of budgetary resources, and (5) notes to financial statements.

Balance Sheets – The balance sheet is a summary of assets, liabilities and net position for each fiscal year. It includes assets in possession or managed by the entity exclusive of items subject to stewardship reporting (assets), amounts owed by the entity (liabilities), and amounts which comprise the difference (net position).

SUMMARY BALANCE SHEETS

| | <u>2017</u> | <u>2016</u> | <u>Inc / (Dec)</u> |
|--------------------------|--------------|--------------|--------------------|
| Total Assets | \$ 8,717,853 | \$ 8,743,021 | \$ (25,168) |
| Total Liabilities | \$ 3,995,148 | \$ 3,976,946 | \$ 18,202 |
| Net Position | \$ 4,722,705 | \$ 4,766,075 | \$ (43,370) |

*Net position consists entirely of cumulative results of operations - other funds

Statements of Net Cost – The statements of net cost are designed to show separately the components of the net cost of the reporting entity's operations for the period. The net cost of operations is the gross cost incurred by the reporting entity less any exchange revenue earned from its activities.

SUMMARY STATEMENTS OF NET COST

| | <u>2017</u> | <u>2016</u> | <u>Inc / (Dec)</u> |
|-----------------------------|----------------|----------------|--------------------|
| Public costs | \$ 3,471,615 | \$ 3,514,914 | \$ (43,299) |
| Less: Earned revenue | \$ (3,428,245) | \$ (3,589,898) | \$ 161,653 |
| Net public costs | \$ 43,370 | \$ (74,984) | \$ 118,354 |

APPRAISAL SUBCOMMITTEE

Balance Sheets

As of September 30,

Assets

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------|----------------------------|----------------------------|
| Assets: | | |
| Intragovernmental Assets: | | |
| Fund balance with Treasury | \$ 5,719,284 | \$ 6,548,344 |
| Restricted fund balance with Treasury | <u>2,097,334</u> | <u>1,747,523</u> |
| Total Intragovernmental Assets: | <u>7,816,618</u> | <u>8,295,867</u> |
| Accounts receivable | 597,005 | 414,565 |
| Property and Equipment, net | <u>304,230</u> | <u>32,589</u> |
| Total Assets | <u>\$ 8,717,853</u> | <u>\$ 8,743,021</u> |

Liabilities and Net Position

| | | |
|--|----------------------------|----------------------------|
| Liabilities: | | |
| Intragovernmental Liabilities: | | |
| Unearned revenues | \$ 1,403,608 | \$ 1,563,193 |
| Restricted funds held for others | <u>2,097,334</u> | <u>1,747,523</u> |
| Total Intragovernmental Liabilities: | <u>3,500,942</u> | <u>3,310,716</u> |
| Accounts payable | 50,072 | 109,533 |
| Grants payable | 109,895 | 240,039 |
| Accrued funded rent | 14,504 | 27,892 |
| Accrued funded payroll and leave | 79,182 | 76,939 |
| Unfunded leave | <u>240,553</u> | <u>211,827</u> |
| Total Liabilities | <u>3,995,148</u> | <u>3,976,946</u> |
| Net Position: | | |
| Unexpended appropriations - other funds | \$ - | \$ - |
| Cumulative results of operations - other funds | <u>4,722,705</u> | <u>4,766,075</u> |
| Total Net Position | <u>4,722,705</u> | <u>4,766,075</u> |
| Total Liabilities and Net Position | <u>\$ 8,717,853</u> | <u>\$ 8,743,021</u> |

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

APPRAISAL SUBCOMMITTEE

Statements of Net Cost

For the Years Ended September 30,

| | <u>2017</u> | <u>2016</u> |
|----------------------------------|--------------------|--------------------|
| Program Costs: | | |
| Public costs | \$ 3,471,615 | \$ 3,514,914 |
| Less: Earned revenue from public | <u>(3,428,245)</u> | <u>(3,589,898)</u> |
| Net public costs | <u>\$ 43,370</u> | <u>\$ (74,984)</u> |

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

APPRAISAL SUBCOMMITTEE

Statements of Changes in Net Position

For the Years Ended September 30,

| | <u>2017</u> | <u>2016</u> |
|---|--------------------------------|--------------------------------|
| Cumulative Results of Operations: | | |
| Beginning Balance | <u>\$ 4,766,075</u> | <u>\$ 4,691,091</u> |
| Beginning Balance, As Adjusted | <u>4,766,075</u> | <u>4,691,091</u> |
| Budgetary Financing Sources: | | |
| Appropriations used | - | - |
| Other Financing Sources: | | |
| Imputed financing | <u>-</u> | <u>-</u> |
| Total Financing Sources | - | - |
| Net Cost of Operations (+/-) | <u>(43,370)</u> | <u>74,984</u> |
| Net Change | <u>(43,370)</u> | <u>74,984</u> |
| Cumulative Results of Operations | <u>\$ 4,722,705</u> | <u>\$ 4,766,075</u> |
| Unexpended Appropriations: | | |
| Beginning Balance | <u>\$ -</u> | <u>\$ -</u> |
| Beginning Balance, As Adjusted | <u>-</u> | <u>-</u> |
| Budgetary Financing Sources: | | |
| Appropriations received | 3,388,967 | 3,689,080 |
| Other adjustments | - | - |
| Appropriations used | <u>(3,388,967)</u> | <u>(3,689,080)</u> |
| Total Budgetary Financing Sources | <u>-</u> | <u>-</u> |
| Total Unexpended Appropriations | <u>-</u> | <u>-</u> |
| Net Position | <u>\$ -</u> | <u>\$ -</u> |

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

APPRAISAL SUBCOMMITTEE

Statements of Budgetary Resources

For the Years Ended September 30,

| | <u>2017</u> <u>Budgetary</u> | <u>2016</u> <u>Budgetary</u> |
|---|---------------------------------|---------------------------------|
| Budgetary Resources: | | |
| Unobligated balance brought forward, Oct 1 | \$ <u>4,336,977</u> | \$ 4,184,596 |
| Unobligated balance brought forward, Oct 1, as adjusted | 4,336,977 | 4,184,596 |
| Recoveries from prior year unpaid obligations | 343,435 | 12,950 |
| Other changes in unobligated balance | <u>-</u> | <u>-</u> |
| Unobligated balance from prior year budget authority, net | 4,680,412 | 4,197,546 |
| Appropriations (Discretionary and Mandatory) | <u>3,388,967</u> | <u>3,689,080</u> |
| Total Budgetary Resources | <u>\$ 8,069,379</u> | <u>\$ 7,886,626</u> |
| Status of Budgetary Resources: | | |
| New obligations and upward adjustments (total) | \$ 3,925,904 | \$ 3,549,649 |
| Unobligated balance, end of year | | |
| Apportioned, unexpired accounts | - | - |
| Unapportioned, unexpired accounts | <u>4,143,475</u> | <u>4,336,977</u> |
| Unexpired unobligated balance, end of year | 4,143,475 | 4,336,977 |
| Expired unobligated balance, end of year | - | - |
| Unobligated balance, end of year | 4,143,475 | 4,336,977 |
| Total Status of Budgetary Resources | <u>\$ 8,069,379</u> | <u>\$ 7,886,626</u> |
| Change in Obligated Balance: | | |
| Unpaid obligations: | | |
| Unpaid obligations, brought forward, Oct 1 | \$ 673,942 | \$ 543,348 |
| New obligations and upward adjustments | 3,925,904 | 3,549,649 |
| Outlays (gross) (-) | (3,790,393) | (3,406,105) |
| Recoveries of prior year unpaid obligations | <u>(343,435)</u> | <u>(12,950)</u> |
| Unpaid obligations, end of year | 466,018 | 673,942 |
| Uncollected payments: | | |
| Uncollected pymts, Fed sources, brought forward, Oct 1 (-) | - | - |
| Change in uncollected pymts, Fed sources (+/-) | <u>-</u> | <u>-</u> |
| Uncollected pymts, Fed sources, end of year (-) | - | - |
| Memorandum (non-add) entries | | |
| Obligated balance, start of year (+/-) | <u>\$ 673,942</u> | <u>\$ 543,348</u> |
| Obligated balance, end of year (+/-) | <u>\$ 466,018</u> | <u>\$ 673,942</u> |
| Budget Authority and Outlays, Net | | |
| Budget authority, gross (discretionary and mandatory) | \$ 3,388,967 | \$ 3,689,080 |
| Actual offsetting collections (discretionary and mandatory) | - | - |
| Recoveries of prior year paid obligations (discretionary and mandatory) | <u>-</u> | <u>-</u> |
| Budget authority, net (total) (discretionary and mandatory) | 3,388,967 | 3,689,080 |
| Outlays (gross) (discretionary and mandatory) | (3,790,393) | (3,406,105) |
| Actual offsetting collections (discretionary and mandatory) | <u>-</u> | <u>-</u> |
| Outlays, net (total) (discretionary and mandatory) | <u>(3,790,393)</u> | <u>(3,406,105)</u> |
| Agency Outlays, net (discretionary and mandatory) | <u>\$ (3,790,393)</u> | <u>\$ (3,406,105)</u> |

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

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements

September 30, 2017 and 2016

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”).

Basis of Presentation

These financial statements have been prepared from the accounting records of ASC in accordance with Generally Accepted Accounting Principles (“GAAP”), and the form and content for entity financial statements specified by the Office of Management and Budget (“OMB”) in OMB Circular No. A-136, as amended. GAAP for Federal entities are standards prescribed by the Federal Accounting Standards Advisory Board (“FASAB”), which has been designated the official accounting standards-setting body for the federal government by the American Institute of Certified Public Accountants.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2017 and 2016

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

Basis of Presentation – Continued

OMB Circular No. A-136 requires agencies to prepare financial statements, which include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, 2017, amounts of future economic benefits owned or managed by ASC (assets), amounts owed by ASC (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the program, both direct and indirect costs of the output, and the costs of identifiable supporting services provided by other segments within ASC and other reporting entities. The Statement of Budgetary Resources reports an agency's budgetary activity.

Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular No. A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Significant assumptions made in these financial statements include future collection of receivables, and deferring revenue on the billing and receipt of the incremental fee from \$25 to \$40.

Fund Balance with U.S. Treasury

Fund Balance with Treasury is the aggregate amount of the ASC's funds with Treasury in expenditure, receipt, and revolving fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The ASC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2017 and 2016

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

Restricted Fund Balance with U.S. Treasury

Restricted fund balance with the U.S. Treasury are amounts restricted by law that the Appraisal Subcommittee received in conjunction with the \$15 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 balance sheets.

Accounts Receivable

Accounts receivable consist of amounts due to the Appraisal Subcommittee for registry fees. As of September 30, 2017 and 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.

Unearned Revenues

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

Annual and Sick Leave Program

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

Tax Status

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

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2017 and 2016

Note 2 - **Property and Equipment**

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

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|--------------------------|-------------------------|
| Computer Equipment | \$ 757,483 | \$ 453,889 |
| Furniture | <u>31,803</u> | <u>31,803</u> |
| | 789,286 | 485,692 |
| Less: accumulated depreciation | <u>485,056</u> | <u>453,103</u> |
| Net Property and Equipment | <u>\$ 304,230</u> | <u>\$ 32,589</u> |

Note 3 - **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 \$20,022,000 was expended through September 30, 2017. As of September 30, 2017 and 2016, the Appraisal Subcommittee has \$109,895 and 240,039 in undistributed grant funding available to the Foundation for the grant years ending September 30, 2017 and 2016, which is recorded in grants payable.

Note 4 - **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 2017 and 2016 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$267,000 and \$256,000, respectively.

APPRAISAL SUBCOMMITTEE

Notes to the Financial Statements - Continued

September 30, 2017 and 2016

Note 4 - **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 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 \$232,007 and \$232,547 for the years ended September 30, 2017 and 2016, 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. The minimum future payments required under the agreement to be paid subsequent to September 30, 2017 total approximately \$225,000.

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 2017 and 2016 include approximately \$73,000 and \$76,000, 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 February 26, 2018, 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, 2017 requiring disclosure in the financial statements.

Appendix B

2017 Compliance Review Findings

2017 Compliance Review Findings

| Areas of Non-Compliance | | | |
|---|------------------------------------|------------------------------------|------------------------------------|
| Requirement/Guidance Areas | 2015 30 States Reviewed | 2016 25 States Reviewed | 2017 25 States Reviewed |
| Statutes, Regulations, Policies and Procedures: | 12 | 6 | 1 |
| Temporary Practice: | 1 | 0 | 0 |
| National Registry: | 0 | 3 | 0 |
| Application Process: | 10 | 4 | 4 |
| Reciprocity: | 0 | 0 | 0 |
| Education: | 0 | 0 | 0 |
| Enforcement: | 3 | 3 | 4 |
| State Compliance Status | | | |
| | 2015 30 States Reviewed | 2016 25 States Reviewed | 2017 25 States Reviewed |
| Excellent | 6 | 12 | 12 |
| Good | 16 | 8 | 11 |
| Needs Improvement | 8 | 5 | 2 |
| Not Satisfactory | 0 | 0 | 0 |
| Poor | 0 | 0 | 0 |

The table above documents the 2017 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"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure | 2-year |
| Good | <ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure | 2-year |
| Needs Improvement | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure | 2-year with additional monitoring |
| Not Satisfactory | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure | 1-year |
| Poor* | <ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure | Continuous monitoring |

*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.

2017 Compliance Review Summary

| State | Date of Review | ASC Finding | Review Cycle |
|----------------------|-----------------------|--------------------|-------------------------|
| Alaska | July | Good | Two-Year |
| Delaware | January | Good | Two-Year |
| District of Columbia | April | Good | Two-Year |
| Florida | February | Excellent | Two-Year |
| Hawaii | December | Excellent | Two-Year |
| Idaho | April | Excellent | Two-Year |
| Indiana | January | Good | Two-Year |
| Iowa | July | Excellent | Two-Year |
| Kansas | October | Excellent | Two-Year |
| Kentucky | March | Excellent | Two-Year |
| Maine | May | Good | Two-Year |
| Mississippi | May | Excellent | Two-Year |
| Montana | June | Good | Two-Year |
| Nebraska | March | Good | Two-Year |
| New Hampshire | May | Excellent | Two-Year |
| New Mexico | June | Needs Improvement | Two-Year with Follow-up |
| Ohio | August | Excellent | Two-Year |
| Oklahoma | September | Excellent | Two-Year |
| Rhode Island | October | Excellent | Two-Year |
| South Carolina | February | Excellent | Two-Year |
| Tennessee | January | Good | Two-Year |
| Utah | July | Good | Two-Year |
| Virginia | August | Good | Two-Year |
| Wisconsin | June | Needs Improvement | Two-Year with Follow-up |
| Wyoming | August | 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.

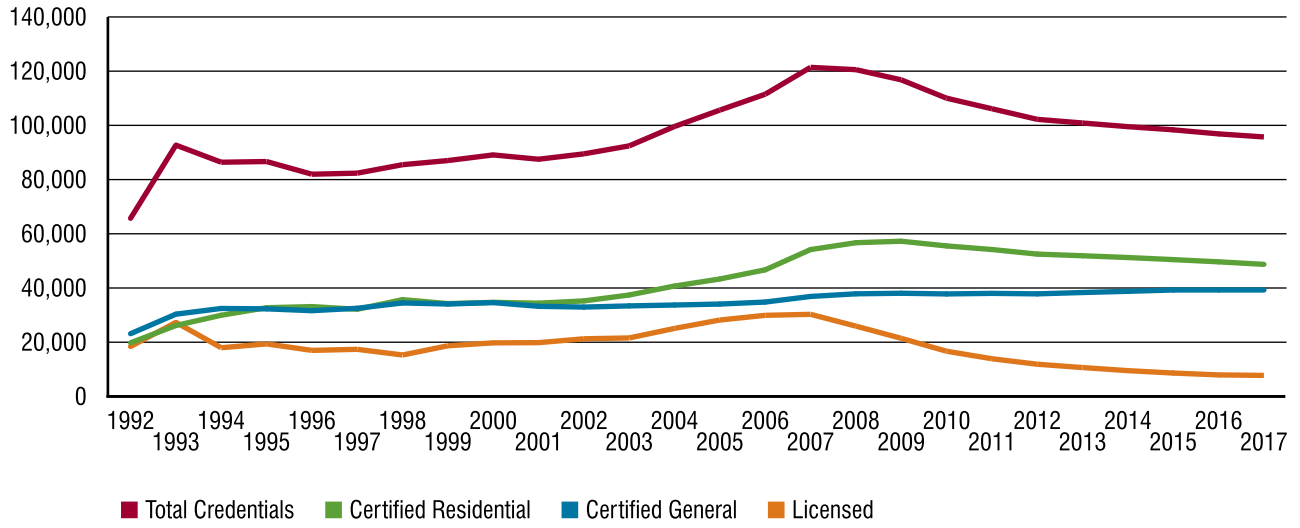
Appraiser Registry Credentials—Year End 2008-2017

| Year-End | Certified General | Certified Residential | Licensed | Transitional | Total Credentials |
|-----------------|--------------------------|------------------------------|-----------------|---------------------|--------------------------|
| 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 |
| 2017 | 39,262 | 48,720 | 7,749 | 0 | 95,731 |

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

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

Appendix E

Appraiser Disciplinary Actions Reported by States¹⁹

January 1, 2008 through December 31, 2017

| 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 | 23 | 0 | 0 | 75 | 23 | 30 | 8 | 5 | 17 | 12 | 3 | 196 |
| Alaska | 5 | 0 | 0 | 6 | 1 | 5 | 5 | 0 | 0 | 3 | 6 | 31 |
| Arizona | 30 | 0 | 1 | 0 | 1 | 132 | 69 | 17 | 16 | 27 | 0 | 293 |
| Arkansas | 68 | 0 | 2 | 31 | 0 | 12 | 84 | 3 | 9 | 8 | 63 | 280 |
| California | 414 | 0 | 13 | 588 | 2 | 24 | 148 | 73 | 70 | 94 | 8 | 1434 |
| Colorado | 92 | 2 | 0 | 111 | 4 | 7 | 6 | 29 | 45 | 102 | 13 | 411 |
| Connecticut | 27 | 0 | 0 | 138 | 0 | 1 | 1 | 5 | 7 | 11 | 1 | 191 |
| Delaware | 10 | 0 | 0 | 16 | 47 | 1 | 11 | 4 | 13 | 0 | 0 | 102 |
| District Of Columbia | 5 | 0 | 0 | 24 | 5 | 0 | 5 | 2 | 6 | 0 | 0 | 47 |
| Florida | 111 | 0 | 0 | 189 | 2 | 15 | 241 | 122 | 70 | 7 | 0 | 757 |
| Georgia | 0 | 0 | 0 | 0 | 0 | 402 | 0 | 183 | 92 | 0 | 0 | 677 |
| Hawaii | 6 | 0 | 0 | 15 | 0 | 0 | 1 | 3 | 0 | 0 | 0 | 25 |
| Idaho | 37 | 0 | 0 | 77 | 0 | 41 | 40 | 5 | 10 | 5 | 2 | 217 |
| Illinois | 9 | 0 | 0 | 129 | 18 | 17 | 20 | 72 | 98 | 5 | 95 | 463 |
| Indiana | 5 | 0 | 0 | 4 | 21 | 5 | 65 | 15 | 27 | 4 | 0 | 146 |
| Iowa | 49 | 0 | 0 | 17 | 13 | 4 | 33 | 4 | 9 | 19 | 15 | 163 |
| Kansas | 67 | 2 | 0 | 24 | 0 | 0 | 20 | 9 | 2 | 6 | 4 | 134 |
| Kentucky | 74 | 2 | 0 | 82 | 1 | 21 | 0 | 4 | 30 | 9 | 3 | 226 |
| Louisiana | 11 | 0 | 0 | 22 | 21 | 0 | 0 | 0 | 2 | 0 | 0 | 56 |
| Maine | 48 | 0 | 0 | 65 | 49 | 4 | 10 | 20 | 14 | 3 | 21 | 234 |
| Maryland | 74 | 0 | 0 | 122 | 12 | 1 | 0 | 8 | 37 | 12 | 0 | 266 |
| Massachusetts | 12 | 0 | 0 | 42 | 14 | 1 | 47 | 14 | 5 | 26 | 0 | 161 |
| Michigan | 139 | 0 | 0 | 304 | 1 | 2 | 4 | 84 | 23 | 6 | 0 | 563 |
| Minnesota | 8 | 0 | 0 | 154 | 10 | 8 | 0 | 61 | 18 | 1 | 93 | 353 |
| Mississippi | 61 | 0 | 0 | 0 | 0 | 3 | 22 | 5 | 3 | 2 | 0 | 96 |
| Missouri | 0 | 0 | 0 | 0 | 0 | 31 | 156 | 59 | 82 | 17 | 0 | 345 |
| Montana | 26 | 0 | 0 | 32 | 5 | 4 | 19 | 8 | 17 | 5 | 0 | 116 |
| Nebraska | 42 | 3 | 2 | 11 | 0 | 10 | 1 | 1 | 7 | 3 | 3 | 83 |
| Nevada | 96 | 1 | 0 | 41 | 0 | 5 | 8 | 21 | 12 | 26 | 2 | 212 |
| New Hampshire | 42 | 0 | 0 | 49 | 18 | 3 | 0 | 4 | 5 | 2 | 0 | 123 |
| New Jersey | 63 | 0 | 0 | 195 | 54 | 1 | 17 | 8 | 64 | 24 | 0 | 426 |
| New Mexico | 49 | 0 | 0 | 16 | 1 | 0 | 1 | 16 | 6 | 2 | 23 | 114 |
| New York | 161 | 0 | 0 | 317 | 8 | 5 | 0 | 91 | 87 | 0 | 55 | 724 |

| 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 | 114 | 1 | 3 | 0 | 42 | 0 | 0 | 8 | 99 | 34 | 0 | 301 |
| North Dakota | 6 | 0 | 0 | 8 | 2 | 1 | 4 | 1 | 3 | 2 | 1 | 28 |
| Ohio | 132 | 0 | 0 | 125 | 17 | 2 | 0 | 14 | 109 | 18 | 7 | 424 |
| Oklahoma | 73 | 4 | 2 | 282 | 2 | 12 | 44 | 24 | 268 | 16 | 26 | 753 |
| Oregon | 79 | 0 | 0 | 162 | 16 | 26 | 0 | 5 | 18 | 15 | 14 | 335 |
| Pennsylvania | 107 | 0 | 0 | 158 | 8 | 2 | 29 | 7 | 34 | 24 | 0 | 369 |
| Puerto Rico | 2 | 0 | 0 | 10 | 0 | 7 | 0 | 0 | 2 | 0 | 2 | 23 |
| Rhode Island | 14 | 0 | 0 | 24 | 4 | 1 | 0 | 3 | 3 | 0 | 2 | 51 |
| South Carolina | 75 | 0 | 0 | 78 | 89 | 0 | 30 | 6 | 9 | 17 | 0 | 304 |
| South Dakota | 40 | 0 | 1 | 46 | 32 | 2 | 0 | 2 | 7 | 5 | 1 | 136 |
| Tennessee | 138 | 3 | 0 | 133 | 5 | 2 | 14 | 11 | 40 | 15 | 17 | 378 |
| Texas | 387 | 0 | 0 | 199 | 19 | 149 | 152 | 70 | 70 | 75 | 9 | 1130 |
| Utah | 36 | 3 | 0 | 79 | 0 | 1 | 3 | 17 | 6 | 11 | 0 | 156 |
| Vermont | 2 | 0 | 0 | 2 | 1 | 1 | 0 | 0 | 5 | 1 | 9 | 21 |
| Virginia | 32 | 0 | 0 | 47 | 0 | 2 | 10 | 20 | 81 | 0 | 111 | 303 |
| Washington | 53 | 0 | 0 | 97 | 2 | 1 | 94 | 25 | 32 | 3 | 0 | 307 |
| West Virginia | 19 | 0 | 0 | 26 | 14 | 8 | 4 | 5 | 14 | 1 | 2 | 93 |
| Wisconsin | 141 | 0 | 78 | 32 | 147 | 5 | 1 | 13 | 94 | 47 | 0 | 558 |
| Wyoming | 10 | 0 | 0 | 10 | 0 | 2 | 6 | 1 | 0 | 3 | 0 | 32 |
| Total | 3,324 | 21 | 102 | 4,414 | 731 | 1,019 | 1,433 | 1,187 | 1,797 | 728 | 611 | 15,367 |

A total of 7,470 credentials have been revoked, suspended or voluntarily surrendered since 1992.

¹⁹ 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 2017

| In-Bound Source | Year End Totals | Referral Type | Description | Year End Totals | |
|--------------------------------|------------------------|--|--|------------------------|-----|
| Call Center Calls | 242 | Complainant | Appraiser | 67 | |
| Email Referral | 3 | | AMC | 7 | |
| Website Hits/Visits | 2,659 | | Bank, savings and loan, thrift, credit union, or other financial institution | 3 | |
| Federal Agency Referrals | 54 | | Mortgage broker, lender, or loan originator | 11 | |
| State Agency Referrals | 267 | | Settlement services provider | 1 | |
| Member Agency Referrals | | | Other Totals | 178 | |
| Agency | Year End Totals | | <i>Consumer*</i> | 153 | |
| FRB | 0 | | <i>Real Estate Agent</i> | 13 | |
| OCC | 5 | | <i>Attorney</i> | 0 | |
| FDIC | 2 | | <i>Insurance Agent</i> | 0 | |
| NCUA | 6 | | <i>Federal Entity</i> | 1 | |
| Bureau | 37 | | <i>Blank/Undefined</i> | 11 | |
| FTC | 4 | | Complaint | USPAP | 174 |
| FHFA | 0 | | | Appraisal Independence | 93 |
| | | | Complaint Against | Appraiser | 213 |
| | | AMC | | 10 | |
| | | Bank, savings and loan, thrift, credit union, or other financial institution | | 23 | |
| | | Mortgage broker, lender, or loan originator | | 9 | |
| | | Settlement services provider | | 0 | |
| | | Other | | 12 | |
| | | Property Type | 1-4 Unit Residential | 247 | |
| | | | Commercial | 17 | |
| | | | No Property | 3 | |
| | | Federal Loan Type | FHA | 58 | |
| | | | VA | 9 | |
| | | | USDA | 7 | |
| | | | None | 193 | |

*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 2017

| | Agency | | | | | |
|----------------------------------|-------------|------------|-------------|------------|---------------|---------------|
| Complainant | FDIC | FRB | NCUA | OCC | Bureau | TOTALS |
| Appraiser | 6 | 0 | 0 | 14 | 4 | 24 |
| Appraisal Management Company | 1 | 0 | 0 | 0 | 0 | 1 |
| Business Property Owner | 1 | 0 | 1 | 2 | 0 | 4 |
| Financial Institution Lender | 0 | 1 | 0 | 0 | 0 | 1 |
| Individual Property Owner | 21 | 2 | 5 | 44 | 2 | 70 |
| Mortgage Broker | 3 | 0 | 0 | 0 | 1 | 4 |
| Non-Financial Institution Lender | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 5 | 1 | 0 | 1 | 6 | 13 |
| Complaint Against | FDIC | FRB | NCUA | OCC | Bureau | TOTALS |
| Appraiser | 25 | 0 | 2 | 15 | 1 | 43 |
| Appraisal Management Company | 7 | 0 | 0 | 1 | 2 | 10 |
| Lender | 10 | 4 | 3 | 45 | 11 | 70 |
| Other | 9 | 0 | 1 | 0 | 1 | 11 |
| Complaint Type | FDIC | FRB | NCUA | OCC | Bureau | TOTALS |
| Non-compliance with USPAP | 12 | 1 | 1 | 0 | 4 | 18 |
| Appraiser Independence | 5 | 1 | 1 | 0 | 8 | 15 |
| Other | 62 | 2 | 0 | 61 | 3 | 128 |

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 Certifying and Licensing Agencies For Compliance with Title XI

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Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).¹ The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States² for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.³ Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)⁴ expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies⁵ (AMCs).⁶

The ASC performs periodic Compliance Reviews⁷ of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI,

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

The ASC is issuing these revised Policy Statements⁹ in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

- Part A, *Appraiser Program*—Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the Appraiser Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the Appraiser Program*.
- Part B, *AMC Program*—Policy Statements 8 through 10 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the *ASC's Compliance Review Report of the AMC Program*.
- Part C, *Interim Sanctions*—Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC for non-compliance in either the Appraiser Program or the AMC Program.

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

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

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

⁴Pub. L. 111-203, 124 Stat. 1376.

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

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

⁷See Appendix A, Compliance Review Process.

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

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

Part A: Appraiser Program

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

A. State Regulatory Structure

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

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board¹¹ or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

B. Funding and Staffing

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

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

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

C. Minimum Criteria

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

D. Federally Recognized Appraiser Classifications

State Certified Appraisers

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

State Licensed Appraisers

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

Trainee Appraisers

"Trainee appraisers" means those individuals who have satisfied the requirements for credentialing in a State whose criteria for credentialing meet or exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of "trainee appraiser" or "supervisory appraiser" must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as "registered appraiser," "apprentice appraiser," "provisional appraiser," or any other similar designation to determine if, in substance, such designation is consistent with a "trainee appraiser" designation and, therefore,

administered to comply with Title XI. The permitted scope of practice and designation for trainee appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

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

E. Non-federally Recognized Credentials

States using non-federally recognized credentials or designations¹² must ensure that they are easily distinguished from the federally recognized credentials.

F. Appraisal Standards

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

USPAP.¹³ States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

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

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

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

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

G. Exemptions

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

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

State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

H. ASC Staff Attendance at State Board Meetings

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

I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.¹⁵
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹⁶

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

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

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

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

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

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

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

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

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

POLICY STATEMENT 2

Temporary Practice

A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment²³ for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and does not impose “excessive fees or burdensome requirements,” as determined by the ASC.²⁴ Thus, a credentialed appraiser²⁵ from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry of Appraisers to verify credential status on applicants for temporary practice.

²³See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

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

²⁵See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

B. Excessive Fees or Burdensome Requirements

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

Host State agencies must:

- a. issue temporary practice permits on an assignment basis;
- b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
- c. issue temporary practice permits designating the permit’s effective date;
- d. take regulatory responsibility for a temporary practitioner’s unethical, incompetent and/or fraudulent practices performed while in the State;
- e. notify the appraiser’s home State agency²⁷ in the case of disciplinary action concerning a temporary practitioner;

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

²⁷See Appendix B, *Glossary of Terms*, for the definition of “home State agency.”

- f. allow at least one temporary practice permit extension through a streamlined process;
- g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and
- h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

Host State agencies may not:

- a. limit the valid time period of a temporary practice permit to less than 6 months (unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant’s credential is no longer in active status during that period of time);
- b. limit an appraiser to one temporary practice permit per calendar year;²⁸
- c. charge a temporary practice permit fee exceeding \$250, including one extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;

- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

Home State agencies may not:

- a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
- b. fail to consider and, if appropriate, take disciplinary action when one of its certified or licensed appraisers is disciplined by another State.

C. Summary of Requirements

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

²⁸State 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.

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

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

POLICY STATEMENT 3

National Registry of Appraisers (Appraiser Registry)

A. Requirements for the Appraiser Registry

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions.³¹ Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC³² from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

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

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

Some States may give State certified or licensed appraisers an option to not pay the registry fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the Appraiser Program must ensure that any potential user of that appraiser's services is aware that the appraiser is not eligible to perform appraisals for federally

related transactions. The Appraiser Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the Appraiser Registry.

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

B. Registry Fee and Invoicing Policies

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

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

³²Title 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.)

C. Access to Appraiser Registry Data

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

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

D. Information Sharing

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

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

States must report all disciplinary action³³ taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁴ States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁵ For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.³⁶

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

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date).³⁷
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁸
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁹

³³ See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

³⁴ *Id.*

³⁵ Title XI § 1118 (a), 12 U.S.C. § 3347.

³⁶ *Id.*

³⁷ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

³⁸ *Id.*

³⁹ Title XI § 1118 (a), 12 U.S.C. § 3347.

4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.⁴⁰
5. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.⁴¹
6. States must ensure that the authorization information provided to the ASC is updated and accurate.⁴²
7. States must adopt and implement a written policy to protect the right of access to the Appraiser Registry, as well as the ASC issued User Name and Password.⁴³
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.⁴⁴
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.⁴⁵
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.⁴⁶

⁴⁰*Id.*

⁴¹*Id.*

⁴²*Id.*

⁴³*Id.*

⁴⁴*Id.*

⁴⁵*Id.*

⁴⁶*Id.*

POLICY STATEMENT 4

Application Process

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

A. Processing of Applications

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

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

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

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

B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

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

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

C. Continuing Education for Reinstatement and Renewal Applications

1. Reinstatement Applications

States must verify that:

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

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

⁴⁸If 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.

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:

a. Validation objectives

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

b. Minimum Standards

Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.

2. States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.

3. States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
4. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
5. If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.
6. If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action⁴⁹ to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.
7. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).

⁴⁹For example:

(1) a State may conduct an additional audit using a higher percentage of audited appraisers; or

(2) a State may publicly post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

c. Documentation

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

d. List of Education Courses

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

D. Experience for Initial or Upgrade Applications

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

1. Validation Required

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

2. Validation Procedures, Objectives and Requirements

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

a. Experience Hours Validation

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

b. USPAP Compliance

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

c. Determination of Experience Time Periods

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

d. Supporting Documentation

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

E. Examination

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

F. Summary of Requirements

Processing of Applications

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

Education

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁴
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁵
3. States must maintain adequate documentation to support verification.⁵⁶

4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.⁵⁷
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.⁵⁸
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.⁵⁹
7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).⁶⁰
8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).⁶¹
9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.⁶²
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.⁶³
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to sus-

⁵¹Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵²Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁵³Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁴*Id.*

⁵⁵*Id.*

⁵⁶Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁷*Id.*

⁵⁸*Id.*

⁵⁹Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁶⁰Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶¹*Id.*

⁶²*Id.*

⁶³*Id.*

pend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.⁶⁴

Experience

1. States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.⁶⁵
2. States must ensure that appraiser experience logs conform to AQB Criteria.⁶⁶
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.⁶⁷
4. States must select the work product to validate the experience hours claimed on all initial or upgrade applications for appraiser credentialing.⁶⁸

⁶⁴*Id.*

⁶⁵*Id.*

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

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

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

5. States must analyze a representative sample of the applicant's work product for compliance with USPAP on all initial or upgrade applications for appraiser credentialing.⁶⁹
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.⁷⁰
7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁷¹
8. Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.⁷²

Examination

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

⁶⁹*Id.*

⁷⁰*Id.*

⁷¹*Id.*

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

⁷³*Id.*

POLICY STATEMENT 5

Reciprocity

A. Reciprocity Policy

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

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND

(ii) the credentialing requirements of the Home State⁷⁵ meet or exceed those of the reciprocal credentialing State (Reciprocal State).⁷⁶

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

For purposes of implementing the reciprocity policy, States with an ASC Finding⁷⁷ 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."

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

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

⁷⁶Id.

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

B. Application of Reciprocity Policy

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

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND

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

Example 1. Additional Requirements Imposed on Applicants

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

Example 2. Credentialing Requirements

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

Example 3. Multiple State Credentials

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through

reciprocity in the additional States. State A requires the applicant to provide a “letter of good standing” from the State of original credentialing as a condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

C. Appraiser Compliance Requirements

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

D. Well-Documented Application Files

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a

⁷⁸A 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.

credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

E. Summary of Requirements

States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State’s appraisers to be eligible to perform appraisals for federally related transactions.⁷⁹

States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.⁸⁰

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁸¹

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

⁸⁰*Id.*

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

POLICY STATEMENT 6

Education

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

A. Course Approval

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

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

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

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

⁸²For 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.

B. Distance Education

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

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

C. Summary of Requirements

States must ensure that appraiser education courses are consistent with AQB Criteria.⁸³

States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.⁸⁴

States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.⁸⁵

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

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

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

POLICY STATEMENT 7

State Agency Enforcement

A. State Agency Regulatory Program

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

B. Enforcement Process

States must ensure that the system for processing and investigating complaints⁸⁷ and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

1. Timely Enforcement

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

time period during which the complaint was not under its control or authority.

2. Effective Enforcement

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

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

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

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

3. Consistent and Equitable Enforcement

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

4. Well-Documented Enforcement

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

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

⁸⁷See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

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

⁸⁹Title XI § 1117, 12 U.S.C. § 3346.

a. Complaint Files

Complaint files must:

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

b. Complaint Logs

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

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

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant

5. Current status of the complaint

6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)

7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁹⁰
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.⁹¹
3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.⁹²
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.⁹³
5. States must appropriately document enforcement files and include rationale.⁹⁴
6. States must regulate, supervise and discipline their credentialed appraisers.⁹⁵
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁹⁶

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

⁹¹*Id.*

⁹²*Id.*

⁹³*Id.*

⁹⁴*Id.*

⁹⁵*Id.*

⁹⁶*Id.*

Part B: AMC Program

POLICY STATEMENT 8

Statutes, Regulations, Policies and Procedures Governing State AMC Programs

A. Participating States and ASC Oversight

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

B. Relation to State Law

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

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

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

C. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and

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

staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

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

1. AMC Registration and Supervision

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC Rule for compliance requirements⁹⁹ as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

- (a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:
 - (1) Review and approve or deny AMC initial registration applications and/or renewals for registration;
 - (2) Examine records of AMCs and require AMCs to submit information;
 - (3) Verify that appraisers on AMCs' panels hold valid State credentials;
 - (4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;
 - (5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and
 - (6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary

and enforcement actions and other relevant information about an AMC's operations, to the ASC.

- (b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs¹⁰⁰ to:
 - (1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;
 - (2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;
 - (3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;
 - (4) Direct the appraiser to perform the assignment in accordance with USPAP; and
 - (5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

2. Ownership Limitations for State-registered AMCs

A. Appraiser certification or licensing of Owners

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked

⁹⁹ See footnote 97.

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

in any State for a substantive cause,¹⁰¹ as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. States must document to the file the State's method of review and the result.

B. Good Moral Character of Owners

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

- (1) Is determined by the State not to have good moral character; or
- (2) Fails to submit to a background investigation carried out by the State.

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

3. Requirements for Federally Regulated AMCs

Participating States are not required to identify Federally regulated AMCs¹⁰² operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

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

¹⁰² See footnote 97.

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

E. Summary of Requirements

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

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

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

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

¹⁰⁷ *Id.*

POLICY STATEMENT 9

National Registry of AMCs (AMC Registry)

A. Requirements for the AMC Registry

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.¹⁰⁸ Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC¹⁰⁹ from AMCs that are either registered with a participating State or are Federally regulated AMCs.¹¹⁰

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

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

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-years, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment.

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

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

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

States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

C. Reporting Requirements

State agencies must report all disciplinary action¹¹¹ taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC’s policies regarding the determination of the AMC registry fee.

D. Access to AMC Registry Data

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

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

¹¹¹ See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

E. Summary of Requirements

States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).¹¹²

State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.¹¹³

States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.¹¹⁴

For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMC's ability to provide appraisal management services), the AMC's status must be changed on the AMC Registry to "inactive."¹¹⁵

¹¹² Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

¹¹³ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.

States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.¹¹⁶

States must adopt and implement a written policy to protect the right of access to the AMC Registry, as well as the ASC issued User Name and Password.¹¹⁷

States must ensure the accuracy of all data submitted to the AMC Registry.¹¹⁸

¹¹⁶ *Id.*

¹¹⁷ *Id.*

¹¹⁸ *Id.*

POLICY STATEMENT 10

State Agency Enforcement

A. State Agency Regulatory Program

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

B. Enforcement Process

States must ensure that the system for processing and investigating complaints¹²⁰ and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented¹²¹ manner.

1. Timely Enforcement

States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances

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

¹²⁰ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

¹²¹ See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

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

3. Consistent and Equitable Enforcement

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

4. Well-Documented Enforcement

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

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;

- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

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

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint

6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

C. Summary of Requirements

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

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

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Id.*

POLICY STATEMENT 11

Statutory Implementation Period

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

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

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

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

Part C: Interim Sanctions

POLICY STATEMENT 12

Interim Sanctions

A. Authority

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.¹²⁹ The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.¹³⁰ In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report¹³¹ issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

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

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

C. Procedures

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

1. Notice

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

2. State Agency Response

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

3. Briefs, Memoranda and Statements

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

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

¹³⁰ *Id.*

¹³¹ See *Appendix A—Compliance Review Process*.

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

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 Meeting¹³³ of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

5. Conduct of Interim Sanction Proceedings

(a) Written Submissions

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

(b) Disqualification

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

(c) Authority of ASC Chairperson

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

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

(d) Rules of Evidence

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

6. Decision of the ASC and Judicial Review

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

7. Computing Time

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

8. Documents and Exhibits

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

9. Judicial Review

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

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

APPENDICES

APPENDIX A

Compliance Review Process

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

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

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding

category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

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

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

| ASC Finding | Rating Criteria | Review Cycle (Program history or nature of deficiency may warrant a more accelerated Review Cycle.) |
|---------------------|---|--|
| Excellent | <ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure | Two-year |
| Good | <ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure | Two-year |
| Needs Improvement | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure | Two-year with additional monitoring |
| Not Satisfactory | <ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure | One-year |
| Poor ¹³⁵ | <ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure | Continuous monitoring |

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

APPENDIX B

Glossary of Terms

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

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

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

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

Complaint: As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser or appraiser applicant, for

allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

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

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

- a. revocation of credential or registration
- b. suspension of credential or registration
- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender¹³⁶
- g. other acts as defined by State statute or regulation as disciplinary

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

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

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

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

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 trainee, State licensed, certified residential or certified general classifications as defined in Policy Statement 1, and which is not recognized by Title XI.

Real estate related financial transaction: Any transaction involving:

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

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

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

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

Uniform Standards of Professional Appraisal Practice (USPAP):

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

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

