

Open Session Cover Page

June 2, 2021

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Agenda

Date: June 2, 2021
Time: 10:00 a.m. ET
Location: Virtual Meeting. Please click the link below to register:
https://www.zoomgov.com/meeting/register/vJItc--hqTvwHMK7VJ8zY5Q_CYC221Fk2DA

Open Session

Action and Discussion Items

- **Approval of Minutes** **T. Segerson**
 - **May 14, 2021 Open Session Special Meeting**

- **Census/Survey Project** **M. Abbott**

**APPRAISAL SUBCOMMITTEE
OPEN SESSION SPECIAL MEETING MINUTES
MAY 14, 2021**

LOCATION: Zoom Meeting

ATTENDEES

ASC MEMBERS: CFPB – John Schroeder
FDIC – John Jilovec
FRB – Keith Coughlin
HUD – Brian Barnes
NCUA – Tim Segerson
OCC – Enice Thomas

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Regulatory Affairs Specialist – Maria Brown
Policy Manager – Neal Fenochietti
Policy Manager – Jenny Tidwell

OBSERVERS: See attached list

The Meeting was called to order at 10:00 a.m. by Chair T. Segerson.

REPORTS

- **Chairman**

T. Segerson welcomed observers to the Special Meeting.

- **Executive Director**

J. Park updated the ASC on recent ASC staff activity as noted below.

- There are three proposed bills in Congress that could affect the ASC; two bills are in the House and one is in the Senate. H.R. 2553, Real Estate Valuation Fairness and Improvement Act of 2021 would establish an interagency Task Force in the ASC to analyze Federal collateral underwriting standards and guidance, and for other purposes. This bill passed out of the House Financial Services Committee to the full House. H.R. 7688, Portal for Appraisal Licensing Act would establish a central portal for real estate appraisers and real estate appraisal management companies (AMCs) to apply for and renew certain licenses, certifications, and registrations. The U.S. Department of Justice must provide access to criminal history information to State officials for required background checks. This bill was introduced in 2020 and it is anticipated that it will be reintroduced in 2021. Another bill would make changes to the ASC and the Federal Housing Administration (FHA). Among other things, it would expand FHA appraiser eligibility to include State licensed appraisers, allow the ASC to reduce annual registry fees for AMCs, include trainee appraisers on the National Registry, clarify that nonprofit organizations or institutions of higher education can obtain an ASC grant and include a member of the U.S. Department of Veterans Affairs and U.S. Department of Agriculture on the ASC Board. He will keep the ASC updated on the progress of these bills.
- The Council on Licensure, Enforcement and Regulations, Inc. (CLEAR), in partnership with the Association of Appraiser Regulatory Officials (AARO), has begun work on the State needs assessment and is developing their first course for State Regulators, which should be available for the Fall AARO conference.

- The AMC Registry is now receiving data from 41 States and the District of Columbia.

- **Grants Director**

J. Park gave the Grants update in M. Abbott's absence. Four States (Arkansas, Hawaii, North Carolina, and Vermont) are joining the eight States that have successfully applied for a grant for operating support. The ASC's goal is to have at least 20 States/Territories with active grants by the end of this fiscal year.

- **Financial Manager**

G. Hull provided the ASC's mid-year financial status for FY21. As of March 31st, the ASC has recognized revenue of \$4.4M representing 43% of the total budgeted FY21 revenue of approximately \$10M. Mid-year AMC registry fees, at \$2.6M, account for 59% of total recognized revenue. ASC expenses are in line with projections. Expenses through March 31st totaled \$4.1M representing 46% of the annual budgeted amount of \$8.9M. T. Segerson asked if AMC revenue will meet the FY21 budget estimate. G. Hull responded that it should be close to the estimate as there are numerous States with renewals in June. T. Segerson asked if the Reserve fund will meet the budget estimate. G. Hull responded that it should be close to the estimate; it will depend on the amount of grant funds awarded this fiscal year.

ACTION ITEMS

- **March 10, 2021 Open Session Minutes**

E. Thomas made a motion to approve the March 10th open session meeting minutes as presented. K. Coughlin seconded and all members present voted to approve.

- **2020 ASC Annual Report**

A. Bohorfoush reported that she incorporated minor corrections received from ASC members and requested approval to finalize the 2020 ASC Annual Report for publication. K. Coughlin moved to approve the 2020 ASC Annual Report as presented. J. Jilovec seconded and all members present voted to approve.

- **Proposed review of the Uniform Standards of Professional Appraisal Practice/Real Property Appraiser Qualification Criteria; focus on Fairness, Equity, Objectivity and Diversity**

J. Park noted current U.S. Bureau of Labor Statistics show that 96.5% of appraisers are white and 70% male. He said that ASC approval is requested for initial budget authority up to \$250,000 to support a comprehensive and independent review of the Uniform Standards of Professional Appraisal Practice (USPAP) and Real Property Appraiser Qualification Criteria (Criteria). The review is to ensure that USPAP and the Criteria do not encourage or systematize bias, and consistently support or promote fairness, equity, objectivity and diversity in both appraisals and the training and credentialing of appraisers. The project would be managed by CLEAR. In March 2021, CLEAR was awarded a three-year cooperative agreement with the ASC to, in part, undertake research on the appraisal and AMC regulatory system. J. Jilovec asked if the ASC would coordinate this project with the

Appraisal Foundation (TAF). T. Segerson responded that the intention is to coordinate with the various TAF Boards. J. Park added that CLEAR provides training for various occupations. He feels CLEAR will be a great partner to work with on this project. They will be able to find the appropriate expertise to take an independent and objective look at the Criteria and USPAP to see if there are any opportunities for improvement. K. Coughlin asked how ASC staff arrived at \$250,000 for the budget and if this amount would be increased or if this is the total budget amount. J. Park responded that the initial budget is \$250,000. If additional funds are needed, ASC staff would request approval of the additional funds from the ASC. K. Coughlin asked if CLEAR would ensure a broad-based review of the Criteria and USPAP. J. Park responded “yes”, and this could potentially lead to other aspects of training and education that can be provided to appraisers. J. Jilovec asked if there is a timeline for CLEAR to develop a proposal and find qualified persons to do the review. J. Park responded that ASC staff hopes to accomplish this by the end of the year. T. Segerson added that a detailed proposal will be prepared. The ASC Chairman granted five minutes to D. Bunton to speak on this item. D. Bunton stated that TAF welcomes an external review of the Criteria and USPAP and appreciates the invitation to assist. He added that TAF will publish the results of its Diversity Study of the appraisal profession next week. TAF plans to do another survey on this issue in approximately three years. TAF is also reviewing language in Advisory Opinion 16 and the Ethics Rule. There have been multiple articles recently on bias and diversity in the appraisal profession. He reported that TAF held a Roundtable last week on this topic. He suggested that the ASC has the authority to track adjudication of appraisal bias complaints filed with a State agency. J. Schroeder and J.

Jilovec thanked D. Bunton for his comments and willingness to work with the ASC. T.

Segerson said that consumers who feel they have been discriminated against should be given assistance on where to file a complaint and have their case heard. J. Schroeder made a motion to approve the budget authorization request for the Criteria and USPAP Review in the amount of \$250,000. E. Thomas seconded and all members present voted to approve.

The Open Session adjourned at 10:30 a.m. The next regularly scheduled ASC Meeting will be held on June 2, 2021.

Attachment: Observer list

Meeting:	Appraisal Subcommittee Meeting	Meeting Date:	May 14, 2021
Time:	10:00 AM ET	Location:	Zoom Meeting

Observers	
Name	Affiliation
Justin Kane	American Society of Appraisers
JoEllen Alberts	Appraisal Foundation
David Bunton	Appraisal Foundation
Kelly Davids	Appraisal Foundation
Aida Dedajic	Appraisal Foundation
Lisa Desmarais	Appraisal Foundation
Edna Nkemngu	Appraisal Foundation
Jeff Dickstein	Appraisal Foundation Board of Trustees Member
Scott DiBiasio	Appraisal Institute
Bill Garber	Appraisal Institute
Brian Rodgers	Appraisal Institute
Mark Lewis	Appraiser Qualifications Board Chair
John Ryan	Appraiser Qualifications Board Vice Chair
Byron Miller	Appraiser Qualifications Board Member
Shawn Telford	Appraiser Qualifications Board Member
Jerry Yurek	Appraiser Qualifications Board Member
Kelly Luteijn	Arizona Department of Insurance and Financial Institutions
Diana Piechocki	Arkansas Appraiser Licensing and Certification Board

Katherine Owen	Bank of America
Jillian White	Better Mortgage
David Cherner	Clear Capital
Ken Folven	Clear Capital
Jodie Markey	CLEAR, Inc.
Deana Krumhansl	Consumer Financial Protection Bureau
Orlando Orellano	Consumer Financial Protection Bureau
Heather Sullivan	CoreLogic
Laura Febbi	Diversity Marketing and Communications
Richard Foley	Federal Deposit Insurance Corporation
Patrick Mancoske	Federal Deposit Insurance Corporation
Sara Todd	Federal Housing Finance Agency
Trevor Feigleson	Federal Reserve Board
David Imhoff	Federal Reserve Board
Devyn Jeffreis	Federal Reserve Board
Matt McQueeney	Federal Reserve Board
Matt Suntag	Federal Reserve Board
Alan Hummel	First American Mortgage Solutions
Steve Pleger	Georgia Department of Banking and Finance
Steve Sousa	Massachusetts Board of Real Estate Appraisers
James Rist	Minnesota Department of Commerce
Teresa Walker	National Association of Appraisers

Rachel Ackmann	National Credit Union Administration
Will Binkley	Office of the Comptroller of the Currency
Stacey Fluellen	Office of the Comptroller of the Currency
Mark Schiffman	Real Estate Valuation Advocacy Association
Craig Steinley	Steinley Real Estate Appraisals and Consulting
Teresa MacNutt	Terri Mac Company
Jessica Brown	Appraiser Trainee

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Mark Abbott, Grants Director

DATE: May 19, 2021

RE: Budget Authorization Request for Census/Survey Project

The purpose of this memorandum is to seek initial budget authority of \$150,000 to initiate a comprehensive census/survey of stakeholders in the real property appraisal profession, including appraisers, appraisal management companies (AMC), lenders, State appraisal and AMC regulators, and Fair Housing and Lending authorities to understand demographics and trends in the appraisal industry. This level of funding will allow us to collect available data sets, analyze the data and design a research methodology to conduct the census/survey. A separate budget request to support implementation of the survey will be requested once we have reviewed bids for the project.

Background

ASC staff recently received a request from a group of chief appraisers representing some of the largest banks and financial services providers in the U.S. to conduct a comprehensive survey of the appraisal industry. Very little is currently known about the demographic makeup of the appraisal industry and its stakeholders. This lack of information limits the appraisal industry and its stakeholders from making useful decisions about how to address ongoing problems such as a lack of diversity, reasons for a declining population of appraisers and the future of the profession and its ability to adequately service lenders and others.

The study would include, but not be limited to, answering the following questions:

- Actual number of appraisers in the industry
 - Number of unique or individual appraisers
 - Number and type of credentials held by appraisers
- Demographics of appraisers
 - Age
 - Gender
 - Race
 - Education level
- Years of appraisal experience
- Government entity approval (*e.g.*, FHA or VA)
- Full or Part-Time appraising

- Number of appraisers leaving the profession each year
 - Credentials that lapse
 - Planned retirement year
- Number and type of new appraiser credentials granted each year
- Number and type of appraisers leaving the industry
- Number of registered Supervisory Appraisers
- Number of registered Trainees
- Number of States with and without a Supervisory/Trainee Program
 - Number of credentials issued
- Number of Trainees who have a Supervisory Appraiser
- Lenders use of Trainees
 - Number of Lenders who allow use of Trainees
 - Reason Lenders prohibit use of Trainees
- Primary Role of appraisers
 - Current role (Independent/sole proprietor, staff field appraiser, staff reviewer, administration/management)
 - Primary field of appraisal - Residential, commercial, both, or other (*e.g.*, eminent domain, litigation, etc.)
 - Primary client base – Mortgage Lenders, Commercial Lenders, Litigation, Probate, Quality Control, Tax Assessment, Other
- Quality and availability of appraisal services
 - Reliability or lack thereof
 - Availability of appraisers
 - Primary reasons for reconsiderations of value
- AMCs
 - Number of lenders using AMCs for their appraisal needs
 - Private and governmental oversight
 - Nature and quantity of complaints against AMCs
 - Number of AMCs owned by a federally regulated institution
- Standards and Qualifications
 - Quality of existing USPAP and AQB Criteria
 - Impact/ cost/benefit of two-year USPAP change cycle
 - Impact AQB Criteria has on diversity
 - Confidence in the work of the Appraisal Foundation

- ASC/State Regulatory Programs/Overall Appraiser Oversight
 - Adequacy of oversight of the States and Appraisal Foundation
 - Current State licensing system versus a federal model
 - Confidence in the work of the ASC

Methodology

The ASC has secured a capable partner to manage this project in partnership with the ASC. The Council on Licensure, Enforcement and Regulations, Inc. (CLEAR) has a three-year cooperative agreement with the ASC to, in part, undertake research that includes:

Conducting a needs assessment to determine States' needs for education of licensing staff, administrators, board members and legal staff covering areas such as Statutes, Regulations, Policies and Procedures, Real Property Appraiser Qualification Criteria, Education Course Review, National Registry, and AMC Program Administration. Research, such as demographic studies on the need for additional appraisers or causes of appraiser shortages.

CLEAR is working with ASC under a cost-reimbursement cooperative agreement that specifies the amount awarded based on a budget submitted to and negotiated and approved by the ASC. CLEAR is authorized to spend funds as costs are incurred based on the approved budget during a specified budget period. The ASC may add additional funds to the CLEAR agreement during a given grant year as new, specific tasks, initiatives or needs are identified.

The ASC will work with CLEAR to develop a scope of work and estimated budget. CLEAR will manage the procurement of appropriate experts – both individuals and organizations – that will be invited to submit proposals to conduct the research project developed by CLEAR with the direct input of ASC staff and Board.

Budget

The exact cost of this initiative will be more clearly defined once the project is initiated and stakeholders are engaged to provide input through a Needs Assessment. Additional budget authority to carry out the Census/Survey will be requested once we have more detail. Any unused funds will remain with the ASC at the end of the project.

Timeline

Development of the project can begin immediately with an amendment to the CLEAR cooperative agreement. Timelines for deliverables related to the project will be provided at the next regularly scheduled ASC Board meeting.