

# FYI Cover Page

June 2, 2021

May 18, 2021

Mr. Jim Park  
Appraisal Subcommittee  
1325 G Street N.W., Suite 500  
Washington, D.C. 20005



**Subject: For ASC Board Consideration: Request for Guidance on the Use of Appraiser Trainees**

Dear Mr. Park:

The Real Estate Valuations Advocacy Association (REVAA) thanks the various agencies, including the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Consumer Financial Protection Bureau (CFPB) who have provided important interagency guidance regarding appraisal and evaluations for real estate related financial transactions, including the April 14, 2020 guidance related to transactions affected by the coronavirus.

At the time, the agencies released the guidance with respect to challenges related to appraisals for real estate related financial transactions affected by COVID-19 specifically. The guidance was critical to providing lenders with guidance to assess and implement flexibilities available to the market to relieve pressure around the appraisal process.

While the risks around COVID-19 have subsided to a certain extent, continued challenges related to appraisals remain – there is a shortage of appraisers at a time of historic market demand, which is exacerbated by a low number of new entrants into the profession. According to the Bureau of Labor Statistics, the [median age of an appraiser in 2020 was 52](#). Further, [96.5% of appraisers are Caucasian and 70% are male](#). In these unprecedented times, we are evaluating all options to ensure financial institutions can properly serve their customers and the public while growing the appraiser profession.

One of the areas in desperate need of clarification is the permissibility for a person who is being trained as an appraiser (“trainee”) and requires supervision and direction by a qualified appraiser, to sign an appraisal report.

The predominant way for a person to become an appraiser is by becoming a trainee. A trainee cannot become an appraiser unless they obtain qualifying experience by preparing appraisal reports. Many lenders have incorrectly pointed to the *Financial Institutions Reform, Recovery, and Enforcement Act* (FIRREA) and the *Interagency Appraisal and Evaluation Guidelines* (IAEG) as prohibiting a trainee appraiser from signing an appraisal report, even when the report is evaluated and signed by a qualified appraiser, who ultimately takes full responsibility for the appraisal. As a result, trainees are having substantial difficulty locating willing supervisory appraisers to oversee their participation in preparing appraisals to obtain the necessary qualifying experience to grow the profession. Without guidance on this issue, we are extremely concerned that there will eventually not be enough appraisers to support the lending market.

Therefore, we respectfully request that the OCC, FRB, FDIC, NCUA, and CFPB issue immediate guidance clarifying that neither FIRREA, the IAEG, or any federal requirement related to appraisals prohibits a trainee appraiser from signing an appraisal report for a federally related transaction so long as:

- A. The supervisory appraiser:
  - 1) independently and impartially certifies their concurrence with the trainee’s analysis, opinions, statements, and conclusions;
  - 2) certifies the trainee appraiser is qualified to prepare and sign the report;
  - 3) certifies the report complies with the Uniform Standards of Professional Appraisal Practice (USPAP); and
  - 4) certifies their acceptance of full responsibility for the content of the appraisal; and
- B. The financial institution maintains appropriate policies and procedures as part of its real estate appraisal and evaluation program to carefully review and oversee permitted use of trainees.

FIRREA defines whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser and requires that all federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser. 12 U.S.C. 3342, 3343.

FIRREA defines a written “appraisal” as 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. 12 U.S.C. 3350(10). Moreover, a “Federally related transaction” is defined, in part, as a real estate-related financial transaction which requires the services of an appraiser. 12 U.S.C. 3350(4).

FIRREA does not prohibit a trainee from signing a written appraisal prepared for a federally related transaction if the report is reviewed, approved, and signed by the trainee’s supervisory appraiser who must be certified (depending on the transaction type).

Similarly, the IAEG has no such prohibition. The IAEG provides that an institution must maintain appropriate policies and procedures that establish an effective real estate appraisal and evaluation program that:

- Establishes selection criteria and procedures to evaluate and monitor the ongoing performance of appraisers and persons who perform evaluations.
- Ensures that appraisals comply with the Agencies' appraisal regulations and are consistent with supervisory guidance.
- Ensures that appraisals and evaluations contain sufficient information to support the credit decision.
- Maintain criteria for the content and appropriate use of evaluations consistent with safe and sound banking practices.
- Provides for the receipt and review of the appraisal or evaluation report in a timely manner to facilitate the credit decision.
- Develops criteria to assess whether an existing appraisal or evaluation may be used to support a subsequent transaction.
- Implements internal controls that promote compliance with these program standards, including those related to monitoring third party arrangements.
- Establishes criteria for monitoring collateral values.
- Establishes criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by the appraisal requirements of the Agencies' appraisal regulations.

If REVAA’s request is granted, it would be an important part of a multi-faceted effort to modernize the recruitment, training, and job placement for trainees. Other activities that will have significant impact on the next generation of appraisers include:

- [Adding Trainees to the National Registry](#) - REVAA is working with a bipartisan coalition of lawmakers and industry stakeholders to pass legislation that would add trainees to the National Appraiser Registry. Senate legislation is anticipated to be introduced in mid to late May 2021.
- [Allowing Licensed Appraisers to Perform Federal Housing Administration \(FHA\) Assignments](#) – The Senate explained bill above includes a provision to allow licensed appraisers to again perform FHA assignments. Currently, only appraisers holding the credential of “certified” can perform this work, since the passage of the Housing and Economic Recovery Act in 2008. REVAA will advocate for bill passage.
- [Continuing to Identify and Remove Barriers to Becoming an Appraiser](#) – REVAA applauds the Appraisal Subcommittee’s recent decision to work with The Appraisal Foundation and other stakeholders for an independent review of the Uniform Standards of Professional Appraisal Practice (USPAP) and appraisal qualifications to ensure they promote fairness, equity, and diversity. Further, we continue to support the Appraisal Qualifications Board’s (AQB) efforts to evaluate and amend appraiser requirements.

- Continuing to Support H.R. 2553: The Real Estate Valuations Fairness and Improvement Act – REVAA supports the intent of H.R. 2553 and its proposal to bring forward an industrywide public/private effort to identify and eliminate racial disparities in the residential and commercial real estate appraisal profession. We also support the active recruitment and training of diverse appraisers to become the future of the profession.
- Encouraging Lenders to Change Restrictive Trainee Policies - A major barrier to the use of trainees are restrictive risk management policies by some lenders (e.g. excessive experience requirements, prohibition of independent property inspections). The inability to utilize trainees to independently conduct property inspections, under the guidance of their supervisor, in a way that can be monetized by the supervisor is an impediment. REVAA will continue to educate lenders on their important impact on the future of the appraiser profession.
- Encouraging State Consistency and Changes to Restrictive Trainee Policies – State policies pertaining to trainees vary widely and many are outdated. From differing terms and definitions of trainees to restrictive rules, the lack of consistency in the states makes the wider spread use of trainees overly complicated. REVAA plans to work with industry stakeholders and state regulators to identify and change trainee public policy barriers.
- Continuing to Modernize the Trainee Process – The current trainee/supervisor model for how an appraiser gains experience is antiquated and serves as a disincentive to the recruitment and training of new appraisers. Innovations, such as the Practical Application of Real Estate Appraiser (PAREA) alternative, approved by the Appraiser Qualifications Board in January 2021, are changing how an appraiser can gain experience more quickly. Reforming the trainee experience process through new technologies and partnerships with the private sector to ensure employment will make the trainee process more efficient and reduce the financial disincentive to becoming an appraiser. REVAA is an advocate for modernizing the trainee experience and will continue to work with industry stakeholders and state regulators.

REVAA appreciates the Appraisal Subcommittee’s consideration of our request and we welcome the opportunity for further discussion. Please contact me at (612) 716-1812 or [mark.schiffman@revaa.org](mailto:mark.schiffman@revaa.org).

Sincerely,



Mark A. Schiffman  
Executive Director

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
MARCH 10, 2021**

LOCATION: Zoom Conference

**ATTENDEES**

**ASC MEMBERS:** CFPB – John Schroeder  
FDIC – John Jilovec  
FHFA – Robert Witt  
FRB – Keith Coughlin  
HUD – Bobbi Borland  
NCUA – Tim Segerson  
OCC – Enice Thomas

**ASC STAFF:** Executive Director – Jim Park  
Deputy Executive Director – Denise Graves  
General Counsel – Alice Ritter  
Grants Director – Mark Abbott  
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 – Claire Brooks  
Policy Manager – Neal Fenochietti  
Policy Manager – Kristi Klamet  
Policy Manager – Vicki Metcalf  
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 thanked observers for attending and said that when in-person Meetings can safely resume, the ASC may continue to allow observers to attend virtually. He added that the ASC and member agencies are looking into resolutions for inequality and bias in appraisals and residential lending practices.

- **Executive Director**

J. Park updated the ASC on recent ASC staff activity as noted below. He introduced E. Thomas as the new OCC representative to the ASC. He echoed T. Segerson's comments regarding inequality and bias in appraisals and residential lending practices. K. Coughlin noted his agreement with these comments as well.

- While on-site Compliance Reviews were halted in March 2020, the ASC staff developed a State Off-Site Assessment (SOA) for use until operations return to normal. The first SOAs started in January 2021 and are already proving to be useful for the ASC and the States.
- As. T. Segerson noted in his comments, the ASC began hosting its public meetings virtually in May 2020. This has increased public accessibility to ASC meetings and thereby its transparency. The public meetings in 2020 had roughly 65 attendees on average which was evenly divided between agency staff and public observers.
- In 2020, the ASC committed nearly \$14M in federal grant funds to be disbursed over the next three years to the States and Appraisal Foundation to support their grant eligible activities. (Further information is provided in the Grants Director report below.)
- ASC staff has been meeting with the State Liaison Committee (Conference of State Bank Supervisors) representatives to discuss appraiser shortages in some States and how to address those issues at the State level. State Appraiser Regulatory Agencies and Appraiser Qualifications Board representatives also recently joined the discussion. The objective of the meetings is to bring the authorities together that have a stake in the supply of appraisal services in a State.
- Approximately 49 States are using the Unique Identification Number for appraisers listed on the Appraiser Registry. The ASC staff is also working on the redesign of the ASC website and an electronic Compliance Review collection system for the States.

- **Grants Director**

M. Abbott updated the ASC on Grants Program activities since the ASC's September 2020 Meeting.

- In the first round of State grants, awards were made to eight States totaling just over \$800,000 for Fiscal Year (FY) 2021 and an additional \$1.6M for FYs 22-23. The eight States are Arizona, Illinois, Kentucky, Louisiana, Minnesota, South Dakota, Texas and Utah. Progress reports from the grantees are due on April 30<sup>th</sup>. Four grant applications were received from Arkansas, Hawaii, North Carolina, and Vermont for the second round. Two additional States were provided an extension and will be submitting grant applications shortly.

- The Appraisal Foundation (TAF) audit is officially underway. ASC staff conducted an entrance conference with the auditors and approved the audit plan with TAF. The auditors and TAF held an entrance conference and are working to find dates that work with both parties to begin the audit.
- **Financial Manager**

G. Hull provided a financial update since the ASC's September 2020 Meeting.

- The FY20 ASC audit is nearly complete. A draft report has been submitted for ASC staff review and a final report should be available by the end of March.
- A report on the financial status of the first quarter of FY21 was given. As of December 31, 2020, total revenue of \$2.4M was recognized. From this total, roughly \$1.1M are appraiser registry fees and \$1.3M are AMC registry fees. The total revenue recognized through December 31<sup>st</sup> represents a 70% increase over FY20 1<sup>st</sup> Quarter revenue of \$1.4M and represents 24% of the total FY21 budgeted total revenue of \$10M. Expenditures through December 31<sup>st</sup> totaled \$1.7M representing 75% of the budgeted \$2.2M for the period covering October 2020-December 2020 and 19% of the annual budgeted expenditure amount of \$8.9M. Overall expenditure activity for FY21 has been in line with budgeted amounts except for travel. The Reserve Balance amount for the ASC was \$8.9M as of December 31<sup>st</sup>.

## **ACTION ITEMS**

- **September 9, 2020 Open Session Minutes**

J. Jilovec made a motion to approve the September 9<sup>th</sup> open session meeting minutes as presented. K. Coughlin seconded and all members present voted to approve.

- **October 5, 2020 Special Meeting Minutes**

J. Jilovec made a motion to approve the October 5<sup>th</sup> special session meeting minutes as presented. K. Coughlin seconded and all members present voted to approve.

- **2020 ASC Annual Report**

A. Bohorfoush said that the Annual Report is not ready for approval and requested that it be tabled. K. Coughlin moved to table the Annual Report until the next ASC Meeting. E. Thomas seconded and all members present voted to approve.

- **Approval of Cooperative Agreement for training and technical assistance**

M. Abbott reported that three applications were received in response to the Notice of Funding Availability. The applications were assessed for basic compliance. The applications were then reviewed by an outside panel of paid experts in the design and

delivery of training and technical assistance and training programs, and then by an internal panel of ASC Policy Managers. ASC staff is recommending that the Council on Licensure, Enforcement and Regulation, Inc. (CLEAR) be awarded the funds. Both the external and staff review panels ranked this applicant as the top application with scores significantly above the other two applications. The CLEAR application included a robust plan for conducting the needs assessment and beginning curriculum development in the first year of the award. They presented a timeline of activities that included check-ins with ASC staff and a proven methodology for course development and evaluation. CLEAR also presented plans for both synchronous and non-synchronous training and demonstrated their capacity to design learning for professional adults through both in-person and online training. In addition, CLEAR staff has the administrative, programmatic, and organizational skills to oversee the project, including an instructional designer on staff. CLEAR also named the Association of Appraiser Regulatory Officials (AARO) as a strategic partner in its revised application. AARO will provide subject matter experts to support the development of the needs assessment and training curriculum, review draft training materials and host trainings at AARO conferences and online. The total award is \$1,050,000 and would cover FY21-23. The first-year award is \$349,969 as approved in the ASC's FY21 budget. In FY22-23, activities will be expanded and could potentially look into appraiser shortages and diversity. J. Jilovec asked how often CLEAR will provide progress reports. M. Abbott responded that CLEAR will provide updates twice a year. These progress reports will be shared with the ASC Board. M. Abbott added that Task Orders will be prepared, and the ASC staff may request additional funds from the ASC if needed. E. Thomas moved to approve the training and technical assistance cooperative agreement award to CLEAR as discussed above. K. Coughlin seconded and all members present voted to approve.

The Open Session adjourned at 10:45 a.m. The next regularly scheduled ASC Meeting will be held on June 2, 2021.

Attachment: Observer list



<b>Meeting:</b>	<b>Appraisal Subcommittee Meeting</b>	<b>Meeting Date:</b>	March 10, 2021
<b>Time:</b>	10:00 AM ET	<b>Location:</b>	Zoom Meeting

<b>Observers</b>	
<b>Name</b>	<b>Affiliation</b>
Karen Connolly	Allterra Group
Joan Trice	Allterra Group
Justin Kane	American Society of Appraisers
David Bunton	Appraisal Foundation
Kelly Davids	Appraisal Foundation
Edna Nkemngu	Appraisal Foundation
Brian Rodgers	Appraisal Institute
Shawn Telford	CoreLogic/Appraiser Qualifications Board Member
Deana Krumhansl	Consumer Financial Protection Bureau
Orlando Orellano	Consumer Financial Protection Bureau
Richard Foley	Federal Deposit Insurance Corporation
Patrick Mancoske	Federal Deposit Insurance Corporation
Mark Mellon	Federal Deposit Insurance Corporation
Sara Todd	Federal Housing Finance Agency
David Imhoff	Federal Reserve Board
Devyn Jeffreis	Federal Reserve Board
Matt McQueeney	Federal Reserve Board
Derald Seid	Federal Reserve Board

Trevor Feigleson	Federal Reserve Board
Peter Gallo	Homesight Appraisal
Jacqueline Olsen	Minnesota Department of Commerce
James Rist	Minnesota Department of Commerce
Henry Wujcik	Minnesota Department of Commerce
Rachel Ackman	National Credit Union Administration
Gira Bose	National Credit Union Administration
Will Binkley	Office of the Comptroller of the Currency
Stacey Fluellen	Office of the Comptroller of the Currency
Joanne Phillips	Office of the Comptroller of the Currency
Jim Rives	Office of the Comptroller of the Currency
Glenn Garoon	TX Certified General Appraiser
Lola Hartshorn	