

Open Session Cover Page

March 9, 2022

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

Agenda

Date: March 9, 2022
Time: 10:00 a.m. ET
Location: Virtual Meeting. Please click the link below to register:
<https://www.zoomgov.com/meeting/register/vJIsceMtrT0jG1zVV1k3MGknMTIjgZPZKbY>

Open Session

Reports

- | | |
|-----------------------------|--------------------|
| • Chairman | T. Segerson |
| • Executive Director | J. Park |
| • Grants Director | M. Abbott |
| • Financial Report | G. Hull |

Action and Discussion Items

- | | |
|---|--------------------|
| • Approval of Minutes | T. Segerson |
| ○ December 8, 2021 Special Meeting Minutes | |
| • Amendment to FY22 ASC Budget | J. Park |
| • 7-Hour National USPAP Update Course | J. Park |
| • Selection of ASC Vice Chair | T. Segerson |

**APPRAISAL SUBCOMMITTEE
OPEN SESSION SPECIAL MEETING MINUTES
DECEMBER 8, 2021**

LOCATION: Zoom Conference

ATTENDEES

ASC MEMBERS: CFPB – John Schroeder (Vice Chair)
FDIC – John Jilovec
FHFA – Robert Witt
HUD – Bobbi Borland
NCUA – Tim Segerson (Chair)
OCC – James Rives

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

OBSERVERS: See attached list.

The Meeting was called to order at 11:03 a.m. by Chair T. Segerson.

REPORTS

• **Chairman**

T. Segerson thanked observers for attending. He noted that this is the last ASC Meeting for 2021. The recommendations from the Property Appraisal and Valuation Equity Task Force (PAVE) are being finalized. The report on the review of the Real Property Appraiser Qualification Criteria (AQB Criteria) and the Uniform Standards of Professional Appraisal

Practice (USPAP) is nearly complete. The goal of the review is to ensure that the AQB Criteria and USPAP 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.

- **Executive Director**

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

- The State Off-Site Assessments (SOA) that were initiated at the beginning of 2021 are going well. ASC staff has completed 17 SOAs with several in process. J. Schroeder asked if ASC staff will continue with SOAs in 2022 or start on-site Compliance Reviews (CR). D. Graves responded that there may be a couple of States that will have an on-site CR scheduled at the end of Fiscal Year (FY) 2022 as well as a one-day SOA for States that have new staff.
- J. Park reported on the ASC Roundtables held on September 22nd and November 9th. The Roundtables included a diverse audience of the lending and fair housing industries as well as individual appraisers and appraisal management companies. The November 9th Roundtable included a breakout session that served as a listening session for PAVE. Due to Federal Advisory Committee Act Rules, PAVE representatives were unable to answer any questions, but they did appreciate the opportunity to hear from attendees. There was also a breakout session with Freddie Mac to discuss its report on appraisal bias and to

answer questions from attendees. A third Roundtable is being planned for the first quarter of 2022.

- J. Park noted that PAVE's work is winding down. T. Segerson thanked ASC staff for their participation in PAVE.

- **Grants Director**

M. Abbott provided an update of the grants program. Two States have submitted renewal applications for their current grants, and he anticipates that eight States awarded grants in the first round of FY21 will submit renewals. Financial status and progress reports from current grants show great progress. New grant applications will now be allowed on a rolling basis.

As to the Cooperative agreement with the Council on Licensure, Enforcement & Regulation, work continues on developing training for States and the census/survey project. As noted by the Chair earlier, the USPAP/AQB Criteria Review is nearly complete.

The ASC has been asked to support grants allowing minority and underrepresented groups into the appraiser profession. He will remind States that they can use grant funds to support these initiatives.

T. Segerson asked for an update on outreach for diversity initiatives with PAVE. M. Abbott responded that ASC staff believes that quality supervisors can help the States better administer their Title XI requirements. Mississippi and South Dakota will recruit underrepresented groups to work with those supervisors. ASC staff will consider other models to reform the supervisory model and encourage States to do so as well.

- **Financial Manager**

G. Hull provided a financial update since the ASC's September 15th Meeting. In FY21, which ended on September 30th, the ASC's unaudited financial statements recognize \$9.8M of total revenue, representing 97% of the budgeted \$10.2M. Total AMC Registry revenue was \$6.4M with 46 States populating the AMC Registry. Appraiser Registry fees totaled \$3.4M. FY21 expenses totaled approximately \$5M as budgeted. The net income for FY21 was \$5M with a total of \$5.5M in the reserve account. The FY21 financial audit is scheduled to start next week. J. Jilovec asked which States are not submitting data to the AMC Registry and G. Hull responded that Hawaii, Maine, and Massachusetts are not submitting data at this time.

ACTION ITEMS

- **September 15, 2021 Open Session Minutes**

J. Jilovec made a motion to approve the September 15th open session meeting minutes as presented. J. Schroeder seconded and all members present voted to approve. The vote passed 6-0 as the Federal Reserve Board did not have a voting member present.

- **Notice of Proposed Rulemaking on Temporary Waiver**

T. Segerson thanked ASC staff and agency staff for their work on the Notice of Proposed Rulemaking (NPRM). A. Ritter also thanked agency staff for their input. She noted that since the Temporary Waiver Rule was created in 1992, there have only been two instances of

relief: one in 1993 to the Commonwealth of the Northern Mariana Islands and the second in 2019 to the State of North Dakota. In applying the existing rules to current practice, it was determined that the current rules need revisions to provide clarity in the process as well as extend the timeframe for ASC deliberation. If approved today, the NPRM will be posted in the *Federal Register* in January 2022 for a 60-day comment period. ASC members were amendable to this approach. T. Segerson requested a motion to approve for publication in the *Federal Register*, the NPRM on practices and procedures governing temporary waiver proceedings for a 60-day notice and comment period, subject to any technical (non-substantive) edits by the ASC prior to publication in the *Federal Register*. J. Schroeder moved to approve. J. Rives seconded and all members present voted to approve. The vote passed 6-0 as the Federal Reserve Board did not have a voting member present.

J. Park thanked all ASC members and staff for their work the past year. T. Segerson added that 2021 has been a challenging year and thanked ASC members, agency staff and ASC staff for their work.

The Open Session adjourned at 11:35 a.m. The next regularly scheduled ASC Meeting is scheduled for March 9, 2022.

Attachment: Observer list

Meeting:	Appraisal Subcommittee Meeting	Meeting Date:	December 8, 2021
Time:	11:00 AM ET	Location:	Zoom Meeting

Observers	
Name	Affiliation
Justin Kane	American Society of Appraisers
David Bunton	Appraisal Foundation
Brian Rodgers	Appraisal Institute
Michelle Bradley	Appraisal Standards Board Chair
Craig Morley	Appraisal Standards Board Member
David Byerman	CLEAR, Inc.
Daniel Berkland	Conference of State Bank Supervisors
Deana Krumhansl	Consumer Financial Protection Bureau
Orlando Orellano	Consumer Financial Protection Bureau
Barbara Leslie	Department of Housing and Urban Development
Richard Foley	Federal Deposit Insurance Corporation
Patrick Mancoske	Federal Deposit Insurance Corporation
Mark Mellon	Federal Deposit Insurance Corporation
Lauren Whitaker	Federal Deposit Insurance Corporation
Sara Todd	Federal Housing Finance Agency
David Imhoff	Federal Reserve Board
Devyn Jeffereis	Federal Reserve Board
Peter Gallo	HomeSight Appraisal

Rachel Ackmann	National Credit Union Administration
Gira Bose	National Credit Union Administration
Denise Daly	North Carolina Association of Realtors
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
William King	ValueOne Appraisal
Ernest Durbin	Voxtur Valuation
Louis Pitoni	Woodland Appraisal Group
Susan Martins-Phipps	
Mike Warren	

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: February 23, 2022

RE: Proposed Revised Fiscal Year 2022 Budget

Attached is the proposed revised Fiscal Year 2022 ASC budget which includes an additional FTE.

Position	Job Description	Anticipated Start Date	New FTE
Attorney Advisor	Responsible for preparing a variety of professional legal work and support to the General Counsel. This position will assist the General Counsel in all aspects, and act as back-up support to the General Counsel.	June 1, 2022	Yes

Due to increasing workloads and possible staff attrition, ASC staff is recommending that the agency add an additional Attorney Advisor to the staff.

The Attorney Advisor position is budgeted for four months of the fiscal year. If approved, these changes will increase the approved budget from \$9,049,215 to \$9,128,480 or slightly over \$79,000. Most of the additional funding is under Personnel. However, additional budget authority of approximately \$12,000 for training and travel associated with the new position is also requested.

Attachment

FY22 Proposed Revised
Budget

FY22 Operating Budget		Proposed Revised Budget FY22	Approved Budget FY22
Estimated Revenues:			
Appraiser Registry Fees		\$ 3,760,000	\$ 3,760,000
Less: 25% Pay-Go Requirement		\$ 352,500	\$ 352,500
AMC Registry Fees		\$ 5,753,055	\$ 5,753,055
Total Revenues		\$ 9,160,555	\$ 9,160,555
Expenses:			
Personnel Compensation:			
Salaries		\$ 2,183,441	\$ 2,138,558
Personnel Benefits		\$ 764,206	\$ 748,497
Cash Awards		\$ 42,625	\$ 42,625
Training		\$ 12,000	\$ 11,000
Total Compensation:		\$ 3,002,272	\$ 2,940,680
Travel:			
Compliance Review		\$ 4,880	\$ 4,880
State Offsite Assessments (SOAs)		\$ 46,360	\$ 46,360
Supervising/Compliance		\$ 12,200	\$ 12,200
Follow-up Review		\$ 1,220	\$ 1,220
Priority Contact/EWS		\$ 9,760	\$ 9,760
Meetings			
AARO Conferences (Spring)		\$ 18,300	\$ 18,300
Policy Managers & All Staff Meetings (w/AARO Fall)		\$ 8,540	\$ 8,540
All Staff Meeting		\$ 18,300	\$ 18,300
Other Trips			
Industry Meetings		\$ 6,100	\$ 6,100
Appraisal Foundation Meetings (ASB, AQB, BOT)		\$ 7,320	\$ 7,320
State Regulatory Training		\$ 6,100	\$ 6,100
Speaking engagements		\$ 8,540	\$ 8,540
Staff Travel to DC		\$ 41,480	\$ 29,280
Grants Monitoring & Technical Assistance		\$ -	\$ -
Car Rental & Local Travel		\$ 3,750	\$ 3,750
Total Travel:		\$ 192,850	\$ 180,650
Rent, Comm., & Utilities:			
Rent		\$ 9,170	\$ 9,170
Telephone Service (incl. office & cell phones)		\$ 28,800	\$ 28,800
WestLaw		\$ 12,290	\$ 12,290
Storage Space Facility		\$ 4,320	\$ 4,320
Staff Local travel		\$ 835	\$ 835
Parking		\$ -	\$ -
Total Rent, Comm, Utilities:		\$ 55,415	\$ 55,415
Printing and Reproduction:			
Federal Register/CFR		\$ 31,500	\$ 31,500
Copying		\$ 1,000	\$ 1,000
Printing		\$ 14,675	\$ 14,675
Total Printing & Copying:		\$ 47,175	\$ 47,175
Contracted Services:			
GSA/OPM		\$ 160,075	\$ 160,075
OPM Survey		\$ 5,000	\$ 5,000
Annual audit of ASC		\$ 35,900	\$ 35,900
ERP (Enterprise Resource Planning/Acctg system)		\$ 60,000	\$ 60,000
FDMS		\$ 10,635	\$ 10,635
Indirect Cost Rate Negotiation		\$ 5,000	\$ 5,000
Independent Auditor Contract/IAA		\$ 50,000	\$ 50,000
Grants - Technical Assistance Contract		\$ 76,000	\$ 76,000
Legal Services		\$ -	\$ -
Roundtable Logistics Planner		\$ -	\$ -
Strategic Communications		\$ 250,000	\$ 250,000
Total Contracted Services:		\$ 652,610	\$ 652,610
IT Services:			
IT Contracted Services:		\$ 133,040	\$ 133,040
License Renewals		\$ 17,650	\$ 17,650
Hardware		\$ -	\$ -
Surface Pros Recapitalization		\$ -	\$ -
Network Security Review		\$ 20,000	\$ 20,000
Total Ongoing Annual Services:		\$ 170,690	\$ 170,690
IT Projects:			
Unique Identifier Number/ SOAP State Consultation		\$ 21,000	\$ 21,000
ASC Database Enhancements (AMC Registry)		\$ 14,000	\$ 14,000
ASC Website		\$ 75,000	\$ 75,000
State Compliance Review (Phase III)		\$ 24,500	\$ 24,500
Appraiser REST API Build		\$ -	\$ -
AMC FinOps		\$ -	\$ -
Customer Relations Software		\$ 20,000	\$ 20,000
Total IT Projects:		\$ 154,500	\$ 154,500
Total IT Services and Projects:		\$ 325,190	\$ 325,190
Supplies and Materials:		\$ 16,273	\$ 10,800
Miscellaneous:		\$ 24,480	\$ 24,480
Total Operating Budget		\$ 4,316,265	\$ 4,237,000
Federal Grants:			
AF Grant		\$ 1,000,000	\$ 1,000,000
State Grants		\$ 3,300,000	\$ 3,300,000
Training/Technical Assistance Cooperative Agreement		\$ 500,000	\$ 500,000
Total Federal Grants		\$ 4,800,000	\$ 4,800,000
Depreciation		\$ 12,215	\$ 12,215
2022 Total Expenses		\$ 9,128,480	\$ 9,049,215
Revenue after Expenses		\$ 32,075	\$ 111,340

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: February 23, 2022

RE: Staff Recommendation: *7-Hour National USPAP 2022-23 Update Course*

Staff Recommendation

Based on the issues raised in the independent report issued by NFHA on Appraisal Standards/Appraiser Criteria (NFHA Report) regarding the *7-hour National USPAP 2022-23 Update Course* (Update Course), ASC staff is recommending that the ASC take the following action:

- Provide notice to the Appraisal Foundation (TAF) to rescind and revise the Update Course in accordance with the recommendations set forth in the NFHA Report; and
- TAF should provide remedial course materials to all appraisers who have already received the training.

Staff believes ASC action is urgently needed since the Update Course is presently in circulation and being promoted by TAF as fair housing training. The Update Course is offered to appraisers under the mandate of the Criteria as enforced by the ASC.

The NFHA Report states the following:

The fair housing training module in the current 2022-2023 7-hour USPAP continuing education course for credentialed appraisers should be revised immediately and developed with the participation of fair housing experts to ensure the training is comprehensive and contains important elements needed to educate professionals about how to comply with the letter and spirit of applicable federal, state, and local fair housing laws.

Discussion

The ASC could remain silent and take no action. Staff believes this poses risk to the agency since ultimately the ASC is charged with enforcing the AQB Criteria requirement for all licensed and certified appraisers to take the Update Course. The Update Course could be detrimental to the financial services industry and consumers, particularly those consumers in protected classes.

Conversely, implementing the recommendations set forth in the NFHA Report supports the ASC's mission to provide oversight of the appraisal regulatory system and TAF, as well as 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.

NFHA Report Recommendations

- The introduction to the existing training should be revised to focus on fair housing laws and their requirements. Similarly, the overall tone of the module should be revised from one of raising questions about perception and reputational risk for appraisers to clearly identifying fact patterns that represent illegal discrimination and avoiding harm to consumers.
- The background section should be revised to focus on the history of appraisal discrimination and its impact on borrowers and communities of color.
- The legal section should be revised to accurately state the law. Currently, the module inaccurately focuses on intentional bias and unintentional bias rather than disparate treatment and disparate impact. The definitions and commentary also require revision to explain what constitutes disparate treatment and disparate impact and how appraisers can comply with legal requirements and follow best practices.
- The illustrations and case studies should be revised to clearly identify fact patterns that represent illegal discrimination. The fact patterns should focus on situations that are common and clearly covered by the Fair Housing Act.
- The instructor's manual should be revised to provide more explicit guidance. Also, in connection with fair housing topics, the instructor's focus should be on the law first and USPAP and other guidelines second.

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

DATE

Via Email

Randall Kopfer, Chair, Board of Trustees
Michelle Czekalski Bradley, Chair, Appraisal Standards Board
John F. Ryan, Chair, Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street NW, Suite 1111
Washington, DC 20005

Dear Chairs Kopfer, Bradley and Ryan:

This letter is intended to serve as notice to the Appraisal Foundation of ASC Board action taken at its Quarterly Meeting held on March 9, 2022. The action taken addresses concerns raised in the independent analysis of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the *Real Property Appraiser Qualification Criteria* (AQB Criteria), commissioned by the ASC and managed by CLEAR (NFHA Report).

Please respond within 15 days concerning the Appraisal Foundation's course of action.

The NFHA Report states the following:

The fair housing training module in the current 2022-2023 7-hour USPAP continuing education course for credentialed appraisers should be revised immediately and developed with the participation of fair housing experts to ensure the training is comprehensive and contains important elements needed to educate professionals about how to comply with the letter and spirit of applicable federal, state, and local fair housing laws.

The ASC Board directed ASC staff to take the following action:

- Provide notice to the Appraisal Foundation (TAF) to rescind and revise the Update Course in accordance with the recommendations set forth in the NFHA Report; and
- TAF should provide remedial course materials to all appraisers who have already received the training.

For your reference, the NFHA Report Recommendations are below.

NFHA Report Recommendations

- The introduction to the existing training should be revised to focus on fair housing laws and their requirements. Similarly, the overall tone of the module should be revised from one of raising questions about perception and reputational risk for appraisers to clearly identifying fact patterns that represent illegal discrimination and avoiding harm to consumers.
- The background section should be revised to focus on the history of appraisal discrimination and its impact on borrowers and communities of color.
- The legal section should be revised to accurately state the law. Currently, the module inaccurately focuses on intentional bias and unintentional bias rather than disparate treatment and disparate impact. The definitions and commentary also require revision to explain what constitutes disparate treatment and disparate impact and how appraisers can comply with legal requirements and follow best practices.
- The illustrations and case studies should be revised to clearly identify fact patterns that represent illegal discrimination. The fact patterns should focus on situations that are common and clearly covered by the Fair Housing Act.
- The instructor's manual should be revised to provide more explicit guidance. Also, in connection with fair housing topics, the instructor's focus should be on the law first and USPAP and other guidelines second.

Sincerely,

James R. Park
Executive Director