Appraisal Subcommittee
Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: April 27, 2022

RE: May 4, 2022 ASC Quarterly Meeting Package

For the May 4th ASC Briefing, the following items are including in your Briefing package in the order of the first five agenda items:

- Agenda for May 4th Briefing
- Draft Performance Audit Report of the Appraisal Foundation (TAF) prepared by McBride, Lock and Associates, LLC
- TAF
    - TAF Board of Trustees Finance Committee Report
    - TAF President's Report to Board of Trustees
- March 24th Senate Hearing Follow-up Questions and ASC Response
- Summary of Comments Received on Temporary Waiver Requests Notice of Proposed Rulemaking and copies of the comment letters received (4 letters total)
- State Grant Drawdowns through April 12, 2022

FYI ITEMS

- New ASC Website Project Screen Shots
- ASC Member List revised as of April 25, 2022 (revised contact information for CFPB)

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Briefing Agenda

Date: May 4, 2022
Time: 10:00 a.m. ET
Location: Go to the Link below to register for the Briefing
https://www.zoomgov.com/meeting/register/vJItcumtrT8tHoeuHY4Y5rnB2khx2rsG2Ls

Briefing Topic(s)

Opening Remarks	**Chair Martinez**
TAF Audit Update	**J. Park**
ASC Communication Strategy with TAF	**J. Park**
Update on Senate Hearing Follow-up Questions	**J. Park**
Temporary Waiver Rulemaking	**A. Ritter**
State Grant Activity Update	**J. Park**
ASC Staffing Update	**D. Graves**
Member Agency Attorney Detail	**A. Ritter**
NFHA Report Recommendations	**J. Park**
PAVE Task Force Update	**J. Park**
ASC Hotline Changes	**J. Park**
Fair Appraisal and Inequity Reform Act 2022 (FAIR Act of 2022)	**J. Park**
General Staff Update	**J. Park**

Performance Audit Report

Administration of Payments Received from the Appraisal Subcommittee by The Appraisal Foundation

Prepared for

The Appraisal Subcommittee (ASC)

By

McBride, Lock & Associates, LLC

January 2022

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

KANSAS CITY

Performance Audit Report
Administration of Payments Received from the Appraisal Subcommittee by The Appraisal Foundation

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Performance Audit Report
Administration of Payments Received from the Appraisal Subcommittee by The Appraisal Foundation

EXECUTIVE SUMMARY

McBride, Lock & Associates, LLC was engaged by the Appraisal Subcommittee (ASC) to conduct a performance audit of the administration of payments received under the Investigator Training Program (ITP) and Board Support Program which consists of the Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB) by The Appraisal Foundation (Foundation) for fiscal years 2017, 2018 and 2019. The engagement is to be conducted in four phases, as follow:

- Phase I is the audit planning and survey phase
- Phase II is the survey and internal control assessment phase
- Phase III is the substantive audit testing and development of findings phase
- Phase IV is the final reporting phase.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that the Office generally accounted for and expended the Grant funds in accordance with the requirements mentioned above for the period from October 1, 2016 through September 30, 2019. The exception is that TAF did not have a system for tracking and reporting on program income received. As described in Finding 1 below, this exception leads to potential improper expenditures of amounts which should have been accounted for as program income, up to a maximum of the $11,500,515 of revenue received from sales of the USPAP in the three years ended September 30, 2019.

We have included in this report as Appendix A, TAF's written response to the draft report. Such response has not been subjected to the audit procedures and, accordingly, we do not provide any form of assurance on the appropriateness of the response or the effectiveness of the corrective actions described therein.

BACKGROUND

This section of the report summarizes the grant program subject to audit, the purpose and costs associated with the award, and prior audit findings.

The Appraisal Sub Committee

The ASC was created pursuant to Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Title XI) as follows:

- Utilize funds received from fees paid by appraisers and appraisal management companies (AMCs) to be on the National Registries which Title XI requires the ASC to maintain (technically this is still congressionally appropriated funds) to support its activities under Title XI, and to make grants to the Foundation and 55 State regulatory Boards.

- As congressionally appropriated funds, grants through the ASC follow requirements of the Office of Management and Budget Circulars for Federal Awards, 2 CFR Part 200 or Contract Cost Principles, 48 CFR Part 31 (FAR).

The Awardee – The Appraisal Foundation

The grants were awarded to the The Appraisal Foundation (Foundation). The Foundation is a not-for-profit corporation (501c3) formed in 1987 and tasked in Title XI with supporting the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB). Pursuant to Title XI, the ASB promulgates the Uniform Standards of Professional Appraisal Practice (USPAP), and the AQB establishes minimum credentialing criteria (examination, education, experience) for appraisers. USPAP is then adopted by State Regulatory bodies that are charged with enforcing USPAP standards for covered appraisals in their state.

The Appraisal Foundation Grant Proposals

The Foundation's grant proposals were prepared by the President of the Foundation.

The main objectives of the fiscal year 2017 ASC grants, as set forth in the 2017 grant proposal, were to use Board Support AQB funds for the consideration of possible alternatives to the current experience requirements for each of the three classifications and update the National Uniform Appraiser Licensing and Certification Examination. Board Support ASB funds were to be used to adopt the proposed changes to USPAP for the 2018-2019 edition of the USPAP. The Investigator Training funds were to be used to conduct three course offerings, one for each of the three levels and update those courses.

The main objectives of the fiscal year 2018 ASC grants, as set forth in the 2018 grant proposal, were to use Board Support AQB funds to continue the consideration of possible alternatives to the current experience requirements for each of the three classifications, establish a track whereby experienced state licensed appraisers in good standing may seek the certified residential credential without a degree, and continue updating the National Uniform Appraiser Licensing and Certification Examination. Board Support ASB funds were to be used to conduct a survey to determine what areas of USPAP need further clarification and what emerging issues currently are not addressed by the USPAP and should be included in the next edition of the USPAP. The Investigator Training funds were to be used to conduct three course offerings, one for each of the three levels, update those courses, and increase class size to 50 students.

The main objectives of the fiscal year 2019 ASC grants, as set forth in the 2019 grant proposal, were to use Board Support AQB funds to perform an examination of the Practical Applications of Real Estate Appraisal (PAREA) concept and continue updating the National Uniform Appraiser Licensing and Certification Examination. Board Support ASB funds were to be issue a series of exposure drafts for possible revisions to the next edition of USPAP. The Investigator Training funds were to be used to conduct three course offerings, one for each of the three levels.

AUDIT OBJECTIVES

The objectives of our audit were to:

1. Identify all costs claimed on the ASC awards that are not allocable, allowable, reasonable, and in conformity with award terms;

2. Identify methods or courses of action to improve the efficiency and effectiveness of the program's goal(s).

The Foundation is required to follow the requirements of the grant documents and cost principles set forth in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR 200).

SCOPE AND METHODOLOGY

We audited the Grant funds received and disbursed by TAF from October 1, 2016 through September 30, 2019 as shown in the following table:

	2017		2018		2019	
Description	Investigator Training	Board Support	Investigator Training	Board Support	Investigator Training	Board Support
Funds Received from ASC	$ 309,085	$ 350,000	$ 310,000	$ 350,000	$ 278,000	$ 350,000
Match	-	-	-	-	-	-
Earned Interest	-	-	-	-	-	-
Total Funds	$ 309,085	$ 350,000	$ 310,000	$ 350,000	$ 278,000	$ 350,000
Less Disbursements	(271,016)	(350,000)	(213,036)	(332,675)	(243,746)	(324,786)
Fund Balance	$ 38,069	$ -	$ 96,964	$ 17,325	$ 34,254	$ 25,214
Reprogrammed	$ -	$ -	$ -	$ 25,634	$ 2,104	$ 24,509

AUDIT RESULTS

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

Based on the audit procedures performed, except for the matters discussed below, we concluded that TAF accounted for and expended the HAVA funds in accordance with the requirements mentioned above for the period from October 1, 2016 through September 30, 2019. The exception to applicable compliance requirements is described below.

Finding No. 1 – Recording and Tracking of Program Income

Condition:

For the years ended September 30, 2019, 2018, and 2017, TAF has not been recording and accounting for program income earned on Grant funds appropriately by reducing the allowable costs by the amount of program income earned.

TAF received grant funds for two separate grant programs. The first, was a board support grant which supports the activities of the Appraisal Standards Board (ASB) and the Appraiser Qualifications Board (AQB). These boards work to create and approve standards for qualifications and procedures of property appraisers. These standards are then published in the USPAP which is sold to appraisers and appraiser management companies. The second grant is to support the Investigator Training Program (ITP). Funds provided by the ASC for each of these are as follows:

FISCAL YEAR	Board Support	Investigator Training Program	Total
2017	329,408.00	291,607.00	621,015.00
2018	307,041.00	238,670.00	545,711.00
2019	342,572.00	243,746.00	586,318.00
	979,021.00	774,023.00	1,753,044.00

TAF did not provide accounting records or support detailing the full expenditures required to create the USPAP.

According to financial audits performed for the fiscal years ended September 30, 2017, 2018, and 2019 evidenced TAF received $3,232,624, $4,351,300 and $3,916,591 from the sale of the USPAP respectively.

During our audit, we performed a comparison of the invoices for expenditures of grant funds against the general ledger produced by TAF of grant funds. TAF provided support of expenditures equal to the grant funds provided by TAF. Therefore, no reduction of allowable expenditures occurred to account for program income earned.

The audit could not determine the allocation of revenue which should have been accounted for as program income. Any amount determined to be program income would be considered a questioned cost.

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) at 2 CFR 200.80 states that, "Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. (See §200.77 Period of performance.) Program income includes but is not limited to income from … the sale of commodities or items fabricated under a Federal award..." Additionally, 2 CFR.200.307(e) "Use of Program Income" sets requirements for accounting for program income when the Federal awarding agency either specifies or does not specify how program income. The ASC, as the Federal awarding agency, did not specify the accounting required for program income. Therefore, 2.CFR.200.307(e)(1) applies, which states, “Deduction. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non Federal entity contributions rather than to increase the funds committed to the project.”

Cause

TAF does not believe that they had any obligation to account for program income as they do not believe they were subject to the Uniform Guidance until a grants handbook was created and put into effect in fiscal year 2020.

Effect:

Program income has not been recorded and tracked; therefore, any program income earned by TAF on funds from the ASC has been improperly used and would be due back to ASC. The full effect of this condition cannot be determined from the information provided to the audit as previously discussed since the full cost of creating the USPAP and the amounts provided from other funding sources are not known. Additionally, it is not clear from the documentation provided whether any amounts of the funds which are determined to be program income have been expended, or for what purpose they were expended. This information would be necessary to calculate an allocation of income to program income to determine what amount would be considered an improper expenditure. Total income for the three years ended September 30, 2019 which may be considered program income was $11,500,515, which is the maximum effect of this finding.

Recommendation:

We recommend that the ASC address and resolve the following recommendation that TAF:

a) Determine the total funds expended in creating the USPAP for fiscal year 2017, 2018, and 2019, and

b) Create an allocation method and determine the amount of funds which is program income for each fiscal year 2017, 2018, and 2019, and

c) Work with ASC to determine the appropriate resolution of funds which would be questioned costs for not properly accounting for program income, and

Implement procedures to ensure that all program income is properly accounted for and utilized in future Federal grants.

TAF Response:

See Appendix A for TAF response.

Auditor's Response:

The response given by TAF is a disagreement with the principle of the finding; therefore, no corrective action is stated. Although the response was not subject to the same audit procedures, the following information should be considered in reading their response.

<u>Definition of Funds Paid to TAF</u>

The first issue to be determined is the definition of the support the ASC provided to the TAF. The two primary options for this definition are that TAF is either a subrecipient or a contractor.

The definition of a subrecipient is given in § 200.331 as "A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient…Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity: (1) Determines who is eligible to receive what Federal assistance; (2) Has its performance measured in relation to whether objectives of a Federal program were met; (3) Has responsibility for programmatic decision making; (4) I responsible for adherence to applicable Federal program requirements specified in the Federal award; and (5) In accordance with its agreement, uses Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity."

The definition of a contractor is also given in § 200.331 as "A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor…Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the contractor: (1) Provides the goods and services within normal business operations; (2) Provides similar goods or services to many different purchasers; (3) Normally operates in a competitive environment; (4) Provides goods or services that are ancillary to the operation of the Federal program; and (5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

The facts involved with the funds provided from ASC to TAF are that each year, beginning in 1997, ASC has provided funds to TAF to support activities of the TAF including supporting the Appraisal Standards Board (ASB) and supporting the Appraiser Qualifications Board (AQB). This arrangement actually began in 1990 with oversight from HUD in response to the enactment of Title XI. According to an ASC Appraisal Foundation Grant Policy revised in June 2014, ASC will evaluate whether the requests for funding are for "grant-eligible activities." For ASB, this means the costs should relate to the development, interpretation, amendment or advancement of the USPAP associated with federally related transactions, or special projects related thereto. For AQB, this means the costs should relate to the development, interpretation, amendment or advancement of the AQB Criteria, or special projects related thereto.

The last complete governing document for these funds appears to be the "AF99 Grant Contract" awarded in calendar year 1999 in an amount of $800,000. Since then, it appears the primary document involved with these funds is the annual proposals TAF sends to ASC. In our audit period of 2017, 2018, and 2019 awards, the proposals each start with a cover letter in which the first sentence is, "Enclosed is The Appraisal Foundation … Federal Grant Proposal for your review and consideration." Both parties have admitted these solicitations are non-competitive awards and they are for a purpose which appears to be carrying out a program for a public purpose governed by statute. Additionally, the services provided with support from ASC do not appear to be provided to "many different purchasers."

It is not entirely clear which definition TAF fits, but it does seem likely that they would qualify as a subrecipient of funds; thus, it seems the definition of program income discussed next may apply.

Definition of Program Income

Program income is defined in 2 CFR 200.80 as, "Program income means gross income earned by the non-Federal entity that is directly generated by a supported accounting activity or earned as a result of the Federal award during the period of performance…Program income includes but is not limited to income from fees for services performed, the use or rental or real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them."

In accordance with 2 CFR 200.307, which states, "(b) Cost of generating program income. If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award." This same section states, "(e) Use of program income. If the Federal awarding agency does not specify in its regulation or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply…(1) Deduction. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project."

TAF did not account for program income; and therefore, could not have deducted the program income from otherwise allowable costs. Additionally, TAF did provide support of 100% of the expenditures budgeted in each of the 2017, 2018 and 2019 agreements, further supporting that the amounts were not reduced by any potential program income. Therefore, any amount determined to be program income would be a questioned cost which needs to be returned to ASC or which needs approval to use towards future costs of this program.

Other Items of Consideration

Other factors that will affect the amount of program include the underlying source of funds used by TAF to produce and modify the USPAP for sales. Our audit scope was only for 2017, 2018 and 2019. Thus, we did not know and did not make a determination of the source of the funds already in the TAF accounts as of October 1, 2016. If some portion of those funds is program income which was not properly either returned to ASC or used to reduce the allowable expenditures in prior years, then the percentage of Federal funds used in creating or modifying the USPAP for sale would increase; therefore, the amount determined to be program income could also increase. If the original creation of the USPAP which is used to produce revenue for TAF was 100% from Federal support, then no allocation would be necessary as all income related to the sale of the USPAP would be program income.

TAF raised valid points in their response to the Notification of Findings issued on October 26, 2021. However, most of their discussion appears to be disputing the form of the funds received. We believe there is significant evidence suggesting the form of the funds received was, in fact, a grant to which Federal Cost Principles would apply. Therefore, there is a likelihood that program income exists which should be properly accounted for and appropriate action should be taken to resolve the resulting questioned costs. The amount of questioned costs cannot be determined at this time as there is insufficient evidence available to determine an amount of program income earned. We believe that amount should be determined prior to making a determination of how to resolve the questioned costs, if any.

We provided a draft of our report to the appropriate individuals of TAF. We considered any comments received prior to finalizing this report.

The TAF's complete response to the draft report is included as Appendix B-1 and the ASC's complete response to the draft report as Appendix B-2.

McBride, Lock & Associates, LLC performed the related audit procedures between January 11, 2021 and January 10, 2022.

McBride, Lock & Associates, LLC
January 10, 2022

APPENDIX A

APPENDIX B-1

APPENDIX B-2

The Appraisal FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Board of Trustees
Committee Report Form
Spring 2022

Submitted By:	Ray Wagester
Date Submitted:	April 29, 2022
Committee:	Finance Committee
Members:	Ray Wagester, Chair; Kiernan (KC) Conway, Jeff Dickstein, Edie Yeomans, Krysta Gerstner, Chris Greenwalt, Steven Sherman.

Conference Calls/Meetings Held:

The finance Committee met by conference call on February 25, 2022. They received an update from the investment advisors on April 13, 2022.
The committee will meet on April 29, 2022, during the Spring BOT meetings in San Diego.

Executive Summary of Committee/Task Force Activities:

The Finance Committee met in February to review an unbudgeted item request presented by the AQB chair, John Ryan. In April, the committee was updated on the investment performance and strategy during an update with the investment advisors.

Action Requested? **No**

If "Yes", please indicate recommendation for action here:

Please provide background/rationale for above recommendation:

Additional Comments:

Please find attached:

- February 2022 Financial Statements

The Appraisal FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

FINANCIAL STATEMENTS

February 28, 2022

Unaudited

THE APPRAISAL FOUNDATION

STATEMENT OF FINANCIAL POSITION

February 28, 2022

UNAUDITED

	2022	2021
ASSETS		
CURRENT ASSETS:		
OPERATING ACCOUNTS	1,589,897	1,584,703
SHORT-TERM RESERVES	1,044,789	1,144,413
ACCOUNTS RECEIVABLE	271,561	194,864
PREPAID EXPENSES	102,466	114,926
PUBLICATIONS INVENTORY	88,249	97,045
TOTAL CURRENT ASSETS	3,096,962	3,135,950
PROPERTY AND EQUIPMENT:		
FURNITURE & EQUIPMENT	322,020	322,020
LEASEHOLD IMPROVEMENTS	91,548	91,548
LESS ACCUMULATED DEPRECIATION	(355,210)	(338,471)
PROPERTY AND EQUIPMENT, NET	58,358	75,097
OTHER ASSETS:		
LONG-TERM RESERVES	9,381,282	8,173,633
DEPOSITS	48,840	54,001
TOTAL OTHER ASSETS	9,430,122	8,227,634
TOTAL ASSETS	12,585,442	11,438,681
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE & ACCRUED EXPENSES	614,192	305,506
TOTAL CURRENT LIABILITIES	614,192	305,506
LONG-TERM LIABILITIES:		
DEFERRED RENT	201,663	220,661
DEFERRED LIABILITY	353,716	247,846
TOTAL LONG-TERM LIABILITIES	555,379	468,506
TOTAL LIABILITIES	1,169,571	774,013
NET ASSETS:		
WITHOUT DONOR RESTRICTIONS		
UNDESIGNATED	11,364,731	10,409,496
DESIGNATED BY THE BOARD FOR AI'S PAREA - P2S	500,000	0
NET INCOME	(448,860)	255,173
TOTAL NET ASSETS	11,415,871	10,664,669
TOTAL LIABILITIES AND NET ASSETS	12,585,442	11,438,681

THE APPRAISAL FOUNDATION

STATEMENT OF ACTIVITIES

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
SPONSORSHIP FEES	**93,501**	**86,532**	**108%**	**90,078**	**104%**
INDUSTRY ADVISORY COUNCIL FEES	**0**	**92,500**	**0%**	**30,000**	**32%**
USPAP SALES	**241,110**	**2,934,382**	**8%**	**290,922**	**10%**
YELLOW BOOK AND WEBINARS	**4,400**	**28,230**	**16%**	**4,404**	**16%**
POSTAGE REIMBURSEMENTS	**19,542**	**84,000**	**23%**	**8,605**	**10%**
USPAP COURSES	**454,331**	**727,780**	**62%**	**90,015**	**12%**
INSTRUCTOR CERTIFICATION PROGRAM	**30,190**	**53,280**	**57%**	**0**	**0%**
COURSE APPROVAL PROGRAM FEES	**21,444**	**143,431**	**15%**	**37,788**	**26%**
GAIN (LOSS) ON SECURITIES	**(515,057)**	**0**	**0%**	**193,462**	**0%**
INTEREST (NET OF ADVISOR FEES)	**1,578**	**98,783**	**2%**	**791**	**1%**
MISCELLANEOUS AND BROCHURES	**0**	**0**	**0%**	**50**	**0%**
TOTAL REVENUE	**351,038**	**4,248,918**	**8%**	**746,113**	
EXPENSES:					
PROGRAM SERVICES					
APPRAISER QUALIFICATIONS BOARD	**54,079**	**469,813**	**12%**	**54,063**	**12%**
APPRAISAL STANDARDS BOARD	**64,432**	**292,318**	**22%**	**44,401**	**15%**
BOARD OF TRUSTEES	**337,429**	**979,405**	**34%**	**90,863**	**9%**
PUBLICATIONS & INSTRUCTOR EDUC	**86,675**	**513,698**	**17%**	**54,505**	**11%**
TOTAL PROGRAM SERVICES	**542,615**	**2,255,234**	**24%**	**243,832**	
GENERAL AND ADMINISTRATIVE	**257,090**	**1,883,376**	**14%**	**247,109**	**13%**
TOTAL EXPENSES	**799,705**	**4,138,610**	**19%**	**490,941**	
EXCESS OF REVENUE OVER EXPENSES	**(448,666)**	**110,308**		**255,173**	
NET ASSETS, BEGINNING OF YEAR	**11,364,731**			**10,409,496**	
NET ASSETS, END OF PERIOD	**10,916,065**	**110,308**		**10,664,669**	

THE APPRAISAL FOUNDATION

APPRAISER QUALIFICATIONS BOARD

CONSOLIDATED EXPENSE SUMMARY

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	**23,520**	**167,953**	**14%**	**22,950**	**14%**
OFFICE SUPPLIES AND EXPENSES	**0**	**100**	**0%**	**15**	**15%**
POSTAGE, DELIVERY & FULFILLMENT	**0**	**500**	**0%**	**0**	**0%**
PRINTING	**1,036**	**1,500**	**69%**	**1,022**	**68%**
CONSULTING	**29,250**	**180,575**	**16%**	**30,031**	**17%**
TRAVEL/MEETING EXPENSE	**0**	**75,000**	**0%**	**0**	**0%**
LEGAL	**0**	**10,000**	**0%**	**0**	**0%**
DUES, SUBSCRIPTIONS, REGISTRATIONS	**150**	**445**	**34%**	**0**	**0%**
CONTRACTOR	**0**	**32,240**	**0%**	**0**	**0%**
CREDIT CARD DISCOUNT FEES	**123**	**1,500**	**8%**	**45**	**3%**
TOTAL EXPENSES	**54,079**	**469,813**	**12%**	**54,063**	**12%**

THE APPRAISAL FOUNDATION

APPRAISAL STANDARDS BOARD

CONSOLIDATED EXPENSE SUMMARY

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	**32,911**	**142,532**	**23%**	**33,941**	**24%**
OFFICE SUPPLIES AND EXPENSES	**0**	**241**	**0%**	**15**	**6%**
POSTAGE, DELIVERY & FULFILLMENT	**0**	**500**	**0%**	**0**	**0%**
PRINTING	**0**	**300**	**0%**	**0**	**0%**
CONSULTING	**29,184**	**82,800**	**35%**	**10,400**	**13%**
TRAVEL/MEETING EXPENSE	**0**	**62,500**	**0%**	**0**	**0%**
LEGAL	**2,338**	**2,500**	**94%**	**0**	**0%**
DUES, SUBSCRIPTIONS, REGISTRATIONS	**0**	**945**	**0%**	**45**	**5%**
TOTAL EXPENSES	**64,432**	**292,318**	**22%**	**44,401**	**15%**

THE APPRAISAL FOUNDATION

BOARD OF TRUSTEES

CONSOLIDATED EXPENSE SUMMARY

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	**95,306**	**535,280**	**18%**	**83,665**	**16%**
OFFICE SUPPLIES AND EXPENSES	**48**	**2,450**	**2%**	**18**	**1%**
POSTAGE, DELIVERY & FULFILLMENT	**0**	**1,525**	**0%**	**245**	**16%**
PRINTING	**1,722**	**10,400**	**17%**	**1,367**	**13%**
CONSULTING	**2,830**	**58,750**	**5%**	**138**	**0%**
TRAVEL/MEETING EXPENSE	**22,108**	**331,000**	**7%**	**0**	**0%**
LEGAL	**215,358**	**40,000**	**538%**	**3,964**	**10%**
DUES, SUBSCRIPTIONS, REGISTRATIONS	**58**	**0**	**0%**	**1,468**	**0%**
TOTAL EXPENSES	**337,429**	**979,405**	**34%**	**90,863**	**9%**

THE APPRAISAL FOUNDATION

PUBLICATIONS AND MARKETING

REVENUE AND EXPENSE SUMMARY

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
USPAP SALES AND LICENSE FEES	**241,110**	**2,934,382**	**8%**	**290,922**	**10%**
NATIONAL USPAP COURSE - 15 HR	**41,570**	**135,410**	**31%**	**31,060**	**23%**
NATIONAL USPAP COURSE - 7 HR	**381,784**	**554,646**	**69%**	**51,110**	**9%**
OTHER USPAP COURSES/CORRECTIVE ED	**30,977**	**37,724**	**82%**	**7,845**	**21%**
WEBINARS	**39**	**0**	**0%**	**0**	**0%**
YELLOW BOOK	**4,361**	**28,230**	**15%**	**4,404**	**16%**
POSTAGE REIMBURSEMENTS	**19,542**	**84,000**	**23%**	**8,605**	**10%**
TOTAL REVENUE	**719,382**	**3,774,392**	**19%**	**393,945**	**10%**
EXPENSES:					
SALARIES	**19,401**	**113,288**	**17%**	**20,555**	**18%**
POSTAGE, DELIVERY & FULFILLMENT	**43,699**	**193,000**	**23%**	**17,282**	**9%**
PRINTING	**10,839**	**88,171**	**12%**	**0**	**0%**
CONSULTING	**1,575**	**42,500**	**4%**	**11,281**	**27%**
TRAVEL/MEETING EXPENSE	**0**	**5,000**	**0%**	**0**	**0%**
DUES/REGISTRATION	**561**	**75**	**748%**	**0**	**0%**
CREDIT CARD DISCOUNT FEES	**7,577**	**50,000**	**15%**	**5,018**	**10%**
TOTAL EXPENSES	**83,652**	**492,034**	**17%**	**54,136**	**11%**
EXCESS OF REVENUE OVER EXPENSES	**635,731**	**3,282,358**	**19%**	**339,810**	**10%**

THE APPRAISAL FOUNDATION

INSTRUCTOR CERT COURSES

REVENUE AND EXPENSE SUMMARY

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
PROGRAM REVENUE	**30,190**	**53,280**	**57%**	**0**	**0%**
TOTAL REVENUE	**30,190**	**53,280**	**57%**	**0**	**0%**
EXPENSES:					
SALARIES	**1,185**	**13,564**	**9%**	**219**	**2%**
CONSULTING	**1,839**	**7,600**	**24%**	**150**	**2%**
LEGAL	**0**	**500**	**0%**	**0**	**0%**
TOTAL EXPENSES	**3,024**	**21,664**	**14%**	**369**	**2%**
EXCESS OF REVENUE OVER EXPENSES	**27,166**	**31,616**	**86%**	**(369)**	**-1%**

THE APPRAISAL FOUNDATION

GENERAL AND ADMINISTRATIVE EXPENSES

For the Period Ended February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	**106,757**	**772,376**	**14%**	**113,703**	**15%**
DEFERRED COMPENSATION	**0**	**85,000**	**0%**	**0**	**0%**
FRINGE BENEFITS	**32,426**	**237,600**	**14%**	**32,170**	**14%**
PAYROLL TAXES	**19,273**	**129,500**	**15%**	**18,734**	**14%**
RENT	**40,647**	**238,500**	**17%**	**40,274**	**17%**
OFFICE SUPPLIES & EXPENSES	**2,863**	**30,000**	**10%**	**1,018**	**3%**
TELEPHONE/COMPUTER SYSTEM	**31,078**	**162,620**	**19%**	**17,050**	**10%**
POSTAGE & DELIVERY	**421**	**2,500**	**17%**	**507**	**20%**
PRINTING	**0**	**500**	**0%**	**0**	**0%**
EQUIPMENT RENTAL	**410**	**4,980**	**8%**	**640**	**13%**
EQUIPMENT REPAIRS AND MAINTENANCE	**574**	**3,300**	**17%**	**552**	**17%**
CONSULTING	**6,966**	**60,000**	**12%**	**5,328**	**9%**
TRAVEL/MEETING EXPENSE	**0**	**27,000**	**0%**	**0**	**0%**
INSURANCE	**7,740**	**40,000**	**19%**	**5,796**	**14%**
LEGAL	**1,311**	**1,000**	**131%**	**0**	**0%**
DUES, SUBSCRIPTIONS, REGISTRATIONS	**3,316**	**15,000**	**22%**	**4,375**	**29%**
ACCOUNTING/AUDIT FEES	**1,062**	**35,000**	**3%**	**3,674**	**10%**
DEPRECIATION	**2,246**	**13,500**	**17%**	**2,899**	**21%**
CONTRIBUTIONS TO IVSC	**0**	**25,000**	**0%**	**500**	**2%**
MISCELLANEOUS	**0**	**0**	**0%**	**(110)**	**0%**
TOTAL EXPENSES	**257,090**	**1,883,376**	**14%**	**247,109**	**13%**

THE APPRAISAL FOUNDATION

TOTAL EXPENSES

For the Period Ending February 28, 2022

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	**279,079**	**1,744,993**	**16%**	**275,033**	**16%**
DEFERRED COMPENSATION	**0**	**85,000**	**0%**	**0**	**0%**
FRINGE BENEFITS	**32,426**	**237,600**	**14%**	**32,170**	**14%**
PAYROLL TAXES	**19,273**	**129,500**	**15%**	**18,734**	**14%**
RENT	**40,647**	**238,500**	**17%**	**40,274**	**17%**
OFFICE SUPPLIES & EXPENSES	**2,911**	**32,791**	**9%**	**1,065**	**3%**
TELEPHONE/COMPUTER SYSTEM	**31,078**	**162,620**	**19%**	**17,050**	**10%**
POSTAGE & DELIVERY	**44,121**	**198,025**	**22%**	**18,033**	**9%**
PRINTING	**13,596**	**100,871**	**13%**	**2,389**	**2%**
EQUIPMENT RENTAL	**410**	**4,980**	**8%**	**640**	**13%**
EQUIPMENT REPAIR & MAINTENANCE	**574**	**3,300**	**17%**	**552**	**17%**
CONSULTING	**71,837**	**432,225**	**17%**	**57,328**	**13%**
TRAVEL/MEETING EXPENSE	**22,108**	**500,500**	**4%**	**0**	**0%**
INSURANCE	**7,740**	**40,000**	**19%**	**5,796**	**14%**
LEGAL	**219,006**	**54,000**	**406%**	**3,964**	**7%**
DUES, SUBSCRIPTIONS, REGISTRATIONS	**4,085**	**16,465**	**25%**	**5,888**	**36%**
ACCOUNTING/AUDIT FEES	**1,062**	**35,000**	**3%**	**3,674**	**10%**
CONTRACTOR	**0**	**32,240**	**0%**	**0**	**0%**
CREDIT CARD DISCOUNT FEES	**7,700**	**51,500**	**15%**	**5,062**	**10%**
DEPRECIATION	**2,246**	**13,500**	**17%**	**2,899**	**21%**
CONTRIBUTIONS TO IVSC	**0**	**25,000**	**0%**	**500**	**2%**
MISCELLANEOUS	**0**	**0**	**0%**	**(110)**	**0%**
TOTAL EXPENSES	**799,899**	**4,138,610**	**19%**	**490,941**	**12%**

OVERVIEW OF FINANCIAL STATEMENTS
02/28/2022

CATEGORY	AMOUNT @ 02/28/2022			EXPLANATION/NOTES
Page 1 – Statement of Financial Position	$			
Operating Reserves	1,589,897			Represents cash held in checking accounts. Taking into consideration our cash flow, excess cash from these accounts is transferred to the Merrill Lynch Short Term account.
Short-Term Reserves	1,044,789			This is held in cash and money market accounts at Merrill Lynch.
Accounts Receivable	271,561			The majority of this balance consists of accrued license fees. Generally, the only sales that are billed after shipment are purchases made by sponsors and government agencies.
Prepaid Expenses	102,466			Prepaid postage, insurance, travel expenses, and rent.
Publication Inventory	88,249			Publications on hand. Outdated versions are considered obsolete and are not included in inventory.
Property and Equipment, Net of Depreciation	58,358			Furniture is depreciated straight-line over 5 years, Equipment over 3 years and Leasehold Improvements over the term of the lease.
Long-Term Reserves	9,381,282			Board-Restricted line item not to be used for general operating expenses without Board approval.
Deposits	48,840			Operating lease deposit and hotel deposits for future meetings.
Total Liabilities	1,169,571			Short-term consists of current amounts due to vendors, accrued vacation and salary expenses. Long-term consists of deferred compensation and deferred rent.
Total Net Assets	11,415,871			Comprised of $11,864,731 net income from prior years, of which $500,000 has been reserved to fund the PAREA grant. It also includes a net loss of $448,860 year-to-date.

OVERVIEW OF FINANCIAL STATEMENTS
02/28/2022

Page 2 – Statement of Activities: Revenue	**AMOUNT @ 02/28/2022**	**BUDGET AMOUNT**	**% of BUDGET**	**EXPLANATION/NOTES**
Sponsorship Fees	93,501	86,532	108%	The majority of our Sponsor dues had been received through the end of February.
IAC Fees	0	92,500	0%	Members are usually invoiced in January, but we had a glitch in the system which delayed billing.
Total Publications Revenue (See FS page 6)	719,382	3,774,392	19%	Overall, revenue is tracking according to budget.
Instructor Cert/Recertification Program	30,190	53,280	57%	The recertification process began in October 2021 and continued into the first quarter of 2022.
Course Approval Program Fees	21,444	143,431	15%	It is difficult to estimate how many courses will be submitted for review each year, but we budget based on previous years' receipts.
Loss on Valuation of Securities	(515,057)	0	0%	This is the loss on the valuation of securities held with Merrill Lynch. This is an unbudgeted item.
Interest Income	1,578	98,783	2%	Interest earned on cash and short-term reserves, net of Merrill Lynch advisory fees.

OVERVIEW OF FINANCIAL STATEMENTS
02/28/2022

Page 2 – Statement of Activities: Expenses	**AMOUNT @ 02/28/2022**	**BUDGET AMOUNT**	**% of BUDGET**	**EXPLANATION/NOTES**
Appraiser Qualifications Board	54,079	469,813	12%	There have been no in-person meetings through the report date. Expenses are mainly salaries and consulting.
Appraisal Standards Board	64,432	292,318	22%	Tracking over budget overall. We had budgeted based on adoption in February, so we expect the board to end the year over budget as they spend more time with their deliberations.
Board of Trustees	337,429	979,405	34%	BOT is running close to budget, except for the legal expense category. There was an in-person Executive Committee meeting held in January.
Publications and Instructor Education	86,675	513,698	17%	Expenses are consistent with revenue.
General and Administrative Expenses	257,090	1,883,376	14%	G & A is tracking according to budget and there are no concerns.

The Appraisal FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

MEMORANDUM

TO: **Board of Trustees**
FROM: **David Bunton**
RE: **Update on Operations**
DATE: **April 20, 2022**

The Continued Impact of COVID-19 on TAF Operations:

Financial: Our second largest budget expense line item is travel and we only used 30% of our budget authority in 2021 due to continuing COVID travel restrictions. Additionally, with the excellent performance of the stock market, the gain on securities was significant and we ended the year in solid financial condition. Below is a summary of our financial performance over the past five years:

	2021	2020	2019	2018	2017
Net Income	1,455,235	2,274,058	1,558,018	1,278,635	647,422
Long-Term Reserves	9,894,843	7,979,469	6,117,306	4,392,260	3,473,608
Total Net Assets	11,864,731	10,409,496	8,135,438	6,231,331	4,952,695
Gain (loss) on Securities	994,572	569,215	818,930	(352,683)	285,051

Meetings: We are gradually transitioning back to in-person meetings, as evidenced by our meeting in San Diego, the first in-person meeting of the full Board of Trustees since November 2019. Our excellent staff has been able to produce high quality virtual meetings, with exceptional graphics and live Q & A sessions which has resulted in 200-450 people registering for our ASB and AQB virtual meetings. For the balance of 2022, all public meetings of the ASB and AQB will be virtual. The boards will continue to hold periodic in-person work sessions, generally two per year, to provide members the opportunity to interact face-to-face.

Office Space: As I previously indicated, our current office lease runs through April of 2027. We rent approximately 5,000 square feet of space at an annual cost of about $250,000. The market continues to be unattractive for subleasing office space. We continue to use our office, albeit on a less frequent basis. Since the beginning of the year, we have used our office for ASB and AQB work sessions, a meeting with the IAAO leadership, and a legislative meeting of our Sponsoring Organizations. We continue to make our office available to our sponsors whenever they are in Washington.

Appraisal Subcommittee

TAF and ASC leadership continue to meet on a periodic basis to maintain open lines of communication. Since the first of the year the frequency of these meetings has increased to every other Friday. Although there has been a recent change in the Chair and Vice Chair of the ASC, it appears that these meetings will continue.

At our February briefing we discussed the recommendations contained in the National Fair Housing Alliance (NFHA) study commissioned by the ASC. Earlier this month we had a very productive meeting with the leadership of the NFHA. We shared with them the following:

- The Board of Trustees removed the requirement that a majority of the Board must be appraisers.

- We are creating a new advisory council, known as the Council to Advance Residential Equity (CARE), to be composed of organizations that are civil rights, fair housing and consumer advocates. Leigh Lester is helping with these efforts and we have asked the NFHA to assist us in identifying organizations.

- We engaged the nationally recognized fair housing law firm of Relman Colfax to assist the ASB on some current projects and to review all future ASB and AQB exposure drafts.

- We are performing a review of our bylaws and the ASB and AQB Rules of Procedure to ensure that our current practices are codified, such as exposure times and effective dates of changes.

- The AQB will conduct a forum to solicit views on fair housing qualifying and continuing education.

- The BOT will conduct a review of its structure and fee schedule.

Regarding the last point, Chair Kopfer has appointed a BOT Structure Working Group composed of Trustees and Sponsor representatives. The organizational meeting of the Working Group will be held on April 21st, and Chair Chris Greenwalt will provide a report in San Diego.

Because of the overlap of the NFHA recommendations and the Report of the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), we wrote the co-chairs of the Task Force to inform them of the above actions. That letter is attached to this report.

Outreach/Public Relations

Monthly Newsletter

Our monthly newsletter is offered in a brief, concise format, has a circulation of 60,000 appraisers and is our primary point of contact with the profession. We continue to receive a lot of positive feedback about its content.

State Regulator Newsletter

The newest addition to our communications effort, we are now communicating with all state appraiser regulators bimonthly to keep them abreast of the activities of the ASB and AQB.

Weekly Podcast

Our weekly podcast featuring Amy Timmerman, our Director of Communications and Lisa Desmarais, our Vice President of Appraisal Issues continues to be well received. The podcast, known as "Appraisal Talk", is a concise (4-7 minutes in length) discussion on current appraisal issues and is released every Monday. It can be downloaded on Apple Podcast, Google Play, or Spotify.

Webinars

We continue to produce live webinars when the ASB or AQB issues an exposure draft. The Chair and Board staff provide an overview of what is being proposed, the rationale for the proposal and the opportunity for viewers to ask questions. They are also recorded for future viewing.

In addition, we now record the public meetings of the ASB and AQB and post them on our YouTube page for public viewing for thirty days.

Media Reports

Our Director of Communications, Amy Timmerman, has developed monthly media reports which provide us detailed metrics on our podcasts, website, newsletter and social media. Each month she identifies key takeaways which is helping us to shape our future media efforts.

Speaking Engagements

As the pandemic hopefully draws to a close, the number of requests for speaking engagements has continued to increase. So far this year, board members and staff have completed numerous speaking engagements with appraiser practitioners, regulators, and users of appraisal services. We continue to encourage the sponsoring organizations and other stakeholders to keep us in mind as they develop future conferences and programs.

<u>Special Projects</u>

Vision 2030

The first quarter of this year was a very busy time. We had the release of the NFHA study, the PAVE Task Force Report, dozens of congressional visits and a congressional hearing. Even so, we were able to begin preliminary work on implementing Vision 2030. We took initial steps to increase outreach and engagement with sponsoring organizations and state regulators, as noted above, and will take steps to ensure our financial independence and stability and seek ways the Foundation can support the building of a diverse, competent, high-quality population of appraisers.

To accomplish the full implementation of the plan, we are proposing the addition of two staff. One of the positions is included in 2022 budget.

These new staff members will join a cross-functional team under the leadership of the Engagement and Communications Directors. The Project Manager will be responsible for ensuring the Foundation's strategic priorities are supported and that project outcomes are measured and analyzed. The Engagement Coordinator will be responsible for supporting the Foundation's strategic priorities to create symbiotic and supportive relationships with sponsoring organizations and state appraiser regulators and to advance and build support for business valuation. Both will ensure work products and activities are completed in a timely manner and at a level of excellence expected for a national, congressionally authorized organization. With the addition of these new staff members, the workload and responsibilities of current staff members will also be examined and rebalanced.

State Appraiser Regulators

Association of Appraiser Regulatory Officials (AARO)

While the Foundation has no regulatory authority, we provide the tools (standards and qualifications) to state appraiser regulators and therefore strive to have an open line of communication with them. We continue to have a solid working relationship with AARO. We participate in their spring and fall conferences and frequently communicate with their leadership. In May they meet in San Antonio and have over 170 registered attendees. AQB Chair John Ryan, ASB Chair Michelle Bradley, and I will address the conference. In addition, staff and board members will lead breakout sessions about PAREA and the AQB Course Approval Program (CAP).

Regulatory/Legislative Affairs

Regulatory:

The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE): The PAVE Action Plan was released on March 23rd. We were briefed on its contents the day before by White House staff.

We have issued White Papers in two areas of interest to the Task Force: reconsideration of value (ROV) and automated valuation models (AVMs). We developed a set of best practices for ROVs a few years ago as well as a suggested reporting format. The ROV white paper is publicly available on our website.

Our Industry Advisory Council (IAC) AVM Task Force has just completed work on an excellent white paper on AVMs and the need for standardization. The AVM Task Force recently presented their findings to the Consumer Financial Protection Bureau (CFPB) and will be presenting an overview of the report at the upcoming joint IAC/TAFAC meeting in June.

The PAVE Task Force Action Plan also declares an intent to send a letter and release a joint statement with the task force agencies to ask the AQB to consider ways to lower barriers of entry into the profession. The PAVE Action Plan offers these suggestions:

- Reduce or eliminate experience requirements.
- Provide additional justification for the college degree requirement.
- Develop a comprehensive exam as an alternative path to credentialing.

While the Foundation believes that PAREA will take care of most of the concerns expressed about barriers to entry and simulated training will fully open the profession to a new, diverse generation of appraiser professionals, any suggestions received will be given careful consideration.

Legislative

Congressional Office Visits: Amy Timmerman, Kelly Davids and I met with over 25 House and Senate offices in March, including the majority and minority staff of the House and Senate Committees with jurisdiction over appraisal issues. It was very informative for us to hear such a broad perspective of issues, and we also established many contacts which will serve us well in the future.

U.S. House Hearing: I testified at a hearing of the House Financial Services Committee entitled *"Devalued, Denied, and Disrespected: How Home Appraisal Bias and Discrimination Are Hurting Homeowners and Communities of Color."* This was my seventh time testifying before Congress, and I have never participated in a more politically divided hearing.

Fair Appraisal and Inequity Reform Act of 2022: This bill was referenced during the March 29 hearing. While the bill was "noticed" the day before the hearing, it has yet to be introduced and therefore does not have a bill number. The proposal would shift the work of the Appraisal Standards Board and the Appraisal Qualifications Board to a new federal agency (renaming the Appraisal Subcommittee), move complaint investigation to the federal government, and establish significant financial penalties imposed on appraisers who are found to have discriminated.

U.S. Senate: The Senate Committee on Banking, Housing and Urban Affairs is equally divided among Republicans and Democrats and is gridlocked, not having held a legislative mark-up session since 2018. Because of this, the passage of any appraisal related legislation appears to be remote. Should this situation change there are several legislative provisions that have already passed the U.S. House that could be considered:

- Allow state licensed appraisers to once again perform FHA appraisals
- Allow the ASC to lower fees collected from AMCs
- Add trainees to the ASC National Registry

- Add representatives from the U.S. Department of Veterans Affairs and the U.S. Department of Agriculture to the ASC

Personnel

We continue to be fully staffed with a team of twelve. I have had the pleasure of working with many people during my tenure at the Foundation, but I have never experienced the level of initiative and innovation that our current team exhibits. As an aside, the size of the Foundation staff has been in the 12-13 range for the past fifteen years.

2022 Board of Trustees and Sponsors Meetings

2022 Spring Board of Trustees, NACAO and Sponsoring Organizations Meetings
April 28-30, 2022
Marriott San Diego Gaslamp Quarter
660 K Street
San Diego, CA 92101

2022 Fall Board of Trustees and Sponsoring Organizations Meeting
November 3-5, 2022
Revere Hotel | Boston Commons
200 Stuart St.
Boston, MA 02116

2022 Board of Trustees and Sponsors Zoom Briefings

Board of Trustees 3rd Quarter Briefing
August 23, 2022/11:00amET
Zoom information to be provided

Sponsoring Organizations 3rd Quarter Briefing
August 23, 2022/2:00pmET
Zoom information to be provided

The Appraisal FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

April 20, 2022

Ambassador Susan Rice
Assistant to the President for Domestic Policy
Director
White House Domestic Policy Council
1600 Pennsylvania Avenue, NW
Washington, DC 20500

The Honorable Marcia Fudge
Secretary, U.S. Department of
Housing and Urban Development
451 7th Street, SW
Washington, DC 20210

Dear Ambassador Rice and Secretary Fudge:

The Appraisal Foundation's boards and staff have been closely analyzing the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) action plan since its release last month and remains committed to promoting diversity and rooting out bias and discrimination in the appraisal profession. To that end, there are several important updates that I wanted to share with you that are relevant to the administration's recent action plan.

Strengthening guardrails against unlawful discrimination in all stages of residential valuation

First off, The Appraisal Foundation is working closely with federal regulators and leading voices in the fair housing community to conduct a comprehensive review of the Ethics Rule contained in the Uniform Standards of Professional Appraisal Practice (USPAP) and examine the 7 Hour National USPAP Update Course, which is required for all appraisers.

Following a February letter from a number of federal regulators, the Appraisal Standards Board (ASB) paused its ongoing update to the USPAP to focus exclusively on its comprehensive review of the Ethics Rule. This rule has always prohibited an appraiser from discriminating against protected classes, but these regulators raised concerns that this may not be clear to all who read the document. The ASB has since met with these regulators and is currently drafting proposed revisions to the Ethics Rule in view of the regulators' concerns, which will be exposed for public comment.

As part of this work, The Appraisal Foundation has retained Relman Colfax, a leading fair housing law firm, to assist in this review as well as an examination of the 7 Hour National USPAP Update Course through a fair housing lens. This will be an ongoing relationship, and Relman Colfax will review all proposed changes to the standards and qualifications produced by The Appraisal Foundation's boards going forward to ensure they are in compliance with fair housing and civil rights laws.

The Board of Trustees is seeking to build upon these initial steps to deepen the Foundation's relationships with the civil rights and consumer advocacy community. To that end, they are forming a new council, the Council to Advance Residential Equity, to be composed exclusively of civil rights and consumer advocates. Just like The Appraisal Foundation's existing councils, this council would provide input on all proposed changes of the Foundation's technical boards. The Board of Trustees is also taking steps to ensure that this council would have the right to appoint a trustee to the management board.

The Board of Trustees is also looking inward to make changes to the bylaws and structures at The Appraisal Foundation. In late March, the board voted to remove the stipulation that a majority of the trustees be appraisers. They also formed a task force to examine further recommendations made by the National Fair Housing Alliance (NFHA) in their January report commissioned by the Appraisal Subcommittee. This task force will examine the current composition of the Board of Trustees as well as the fees assessed to sponsors of the Foundation to determine what changes should be made to promote diversity on the Foundation's three boards.

I am pleased that The Appraisal Foundation staff has initiated conversations with NFHA to continue discussing their report and recommendations for the Foundation, and we have invited them to be one of the original members of the new Council to Advocate for Residential Equity. We look forward to building this working relationship and expanding our outreach to better understand this critical stakeholder perspective.

<u>Building a well-trained, accessible, and diverse appraiser workforce</u>

Finally, I'd like to offer a brief update on the Practical Application of Real Estate Appraisal (PAREA). We are pleased to say that eight PAREA modules have been submitted for preliminary concept review, and we expect at least one of those will be available in the marketplace by the end of the year. Thirty-two states now allow aspiring appraisers to apply PAREA towards their experience requirement and many more are currently considering making this change. This will be a gamechanger for aspiring appraisers entering the profession.

We plan to continue sending periodic updates on our efforts to promote diversity and root out bias and discrimination in the appraisal profession. Please do not hesitate to contact us should you have any questions regarding these updates. We welcome the opportunity to meet with you to discuss these important issues further.

Sincerely,

David S. Bunton
President

cc: Melody Taylor, Executive Director
PAVE Interagency Task Force
Via email: Melody.C.Taylor@hud.gov

James R. Park, Executive Director
Appraisal Subcommittee
Via email: jim@asc.gov

April 27, 2022

Mr. James Park
Executive Director
Appraisal Subcommittee of the Federal Financial Institutions Examination Council
400 7th St SW
Washington, DC 20219

Dear Mr. Park:

Thank you for testifying before the United States Senate Committee on Banking, Housing, and Urban Affairs on March 24, 2022, at our hearing entitled "Strengthening Oversight and Equity in the Appraisal Process."

To complete the hearing record, we would appreciate your answers to the enclosed questions by May 16, 2022. When formatting your response, please repeat the question, then your answer, single spacing both question and answer. Please do not use all capitals.

Send your reply to Mr. Cameron Ricker, the Committee's Chief Clerk. He will transmit copies to the appropriate offices, including the Committee's publications office. Due to current procedures regarding Senate mail, it is recommended that you send replies via e-mail in a Microsoft Word or PDF attachment to Cameron_Ricker@banking.senate.gov.

If you have any questions about this letter, please contact Mr. Ricker at (202) 224-5587.

Sincerely,

Sherrod Brown
Chairman

SB/cr

Committee on Banking, Housing, and Urban Affairs
"Strengthening Oversight and Equity in the Appraisal Process."
March 24, 2022

Questions for Mr. James Park, Executive Director, Appraisal Subcommittee of the Federal Financial Institutions Examination Council, from Senator Jack Reed:

1. How does the Appraisal Subcommittee currently exercise its existing oversight powers over The Appraisal Foundation to address racial bias in the appraisal process? Are there existing powers the Appraisal Subcommittee that could be used more effectively to reduce bias in appraisals?

The ASC has very limited oversight powers over the Appraisal Foundation (Foundation), a private non-profit. The ASC is limited to monitoring and reviewing the Foundation but lacks the enforcement and rulemaking authority necessary to provide effective oversight. Therefore, the agency's ability to directly reduce or impact bias in appraisals through the Appraisal Foundation is limited as well. Until 2020, the Foundation accepted an annual grant from the ASC which provided the ASC a degree of Foundation oversight. However, since 2020, the Foundation has stopped accepting ASC grants further limiting the ASC's ability to influence Foundation actions. The ASC has offered the Foundation approximately $2.75 million in federal grants over the past three years which were declined over concerns that accepting federal funds for the work to develop USPAP changes could compromise over 80% of their annual revenue. The ASC's 2022 Notice of Funding Availability to the Foundation made it clear that in addition to funding for the standards and qualifications setting boards, funds could also be used for diversity, equity and inclusion projects such as diversifying the appraisal industry and the Foundation Boards.

The ASC has been actively working within our authority to identify the root causes and solutions to bias in appraisals and the lack of diversity in the industry. The agency hosted two public (virtual) roundtables on bias and diversity problems with over 700 attendees. The ASC also commissioned an independent report on the appraisal standards and appraiser qualifications to ensure that neither set of requirements systematize or encourage bias in appraisals or the credentialing of appraisers. The study pointed out several problems with the standards and qualifications setting process and the standards and qualifications themselves. The report also included recommendations for addressing the problems. Increased oversight and enforcement authority over the standards and qualifications setters to ensure a fair and equitable process would greatly enhance the ASC's ability effectuate changes in appraisal practice and appraiser education. The ASC staff and ASC member agencies also made significant contributions to the PAVE Task Force.

Committee on Banking, Housing, and Urban Affairs
"Strengthening Oversight and Equity in the Appraisal Process."
March 24, 2022

Questions for Mr. James Park, Executive Director, Appraisal Subcommittee of the Federal Financial Institutions Examination Council, from Senator Thom Tillis:

1. Various studies on this topic cite news stories of alleged racial bias in appraisals. While allegations of any unlawful action or bias should always be investigated and, if need be, sent to the courts, can you provide to me the specific number of convictions of appraisers who have been found to be discriminatory in their work?

   No, because investigations and convictions in this areas would be under the jurisdiction of State or Federal agencies over which the ASC has no authority.

2. Some policymakers and special interest groups are currently advocating that the education requirements for becoming an appraiser be dramatically reduced. Do you believe this will help more competent appraisers enter into the profession or could this have further compounding effects?

There are two parts to the education requirements to obtain an appraiser credential[1]: college degree or course requirements and a core curriculum of education on appraisal practice.

The PAVE Task Force and other studies have been focusing on reducing or eliminating the college degree and college course requirements. Other than the need to make Fair Housing Training part of the core curriculum, I am not aware of any requests to change the core curriculum education related to appraisal practice.

The college degree and college course requirements became effective in 2015. I am not aware of any studies or research done before or after implementation that supported the conclusion that having a college degree or college courses leads to someone being a more ethical or competent appraiser. However, there is plenty of research that indicates people of color and rural citizens are less likely to have college degrees or coursework.

Since the college degree and course requirements became effective, the numbers of appraisers entering the profession have dropped and complaints of appraiser shortages are growing. It is also important to keep in mind that the experience requirements, which forces trainee appraisers to find someone willing to supervise them, can serve as a barrier to entering the profession that is equal to or greater than the college degree or course requirements.

[1] These requirements vary depending on whether one is seeking to obtain a Licensed, Certified Residential, Certified General credential.

Committee on Banking, Housing, and Urban Affairs
"Strengthening Oversight and Equity in the Appraisal Process."
March 24, 2022

3. As you know, the Appraisal Subcommittee maintains the Appraisal Complaint National Hotline.

    a. How many Fair Housing Complaints have been processed by the Appraisal Complaint National Hotline?

    - The original Appraisal Complaint National Hotline did not include referrals of fair housing complaints. Dodd-Frank amended Title XI of FIRREA to authorize complaint referrals only for alleged violations of Uniform Standards of Professional Appraisal Practice (USPAP) and/or appraiser independence. However, as a result of the PAVE recommendations, the ASC will determine ways to highlight the processing of Fair Housing complaints in order to assist and educate consumers.

    b. How many complaints concerning appraisers and appraisal management companies have been referred to state regulatory agencies?

    - The Hotline was opened in March 2013. There have been 3,399 referrals against appraisers and 304 against appraisal management companies (AMC) generated over the past twenty-four months
    - The Appraisal Complaint National Hotline refers complainants to appropriate State and/or Federal agencies to handle complaints of alleged violations of the (USPAP) and/or appraisal independence requirements. Intake of complaints are handled based on existing protocols established by the State or Federal agency receiving the complaint. The Hotline does not initiate complaints, act on behalf of complainants, arbitrate complaints, assist in appealing the outcome of complaints, or follow up on complaint referrals previously provided. Therefore, we do not have information regarding the number of referrals that resulted in actual complaints being filed at the State or Federal levels.

    c. Has the number of complaints received through the hotline increased or decreased over the past twenty-four months?

    - From 2020 -2021 the number of referrals against appraisers has increased from 579 to 610 or 5% and from 12 to 22 or 83% for AMCs.

    d. If an increase, does that indicate appraisers are doing a better job and less education and experience should be required?

The number of referrals against appraisers has risen slightly while the number of complaints against AMCs has almost doubled. We do not have enough data to attribute either increase to a specific reason or set of reasons.

Comments Received on Temporary Waiver Requests NPRM

Joint Letter: American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, Appraisal Institute, MBREA|The Association for Valuation Professionals™, National Society of Real Estate Appraisers	
Comments	**Notes & Recommended Responses**
Asserted temporary waiver provision meant to support implementation of State programs requirements enacted by Congress rather than regulatory relief, which has caused confusion in the marketplace. While generally support proposed actions regarding the temporary waiver process, remain concerned over negative consequences and continued confusion.	While the interpretation is reasonable, and the concern valid, there is not a provision in Title XI that sunset the temporary waiver provision. The ASC agrees that the current rule results in confusion. The ASC authority in this rulemaking is limited to procedural versus substantive. The proposed rule is intended to clarify the process to the extent the ASC can exercise such authority in a procedural rulemaking.
Concerned over requirement for a Request to include "the extent of the delays *anticipated* or experienced in the performance of appraisals . . . ." [emphasis added.] Commenter states granting a request solely on anticipated delays is troubling. The commenter suggests requiring clear, convincing and specific evidence.	This is language from the existing rule, and was helpful information for the ASC in processing more recent Requests. The ASC would not consider a Request on "anticipated delay" alone, but rather would take this into account with all other information received in a Request. The ASC also considered a standard such as clear and convincing; however, the ASC's position is that such language would require substantive rulemaking authority in this area, which the ASC does not have.
Addressed need for applicants to understand the limited scope of a temporary waivers to federally related transactions (FRTs). A temporary waiver does not remove the requirement for an appraisal for FRTs and many mortgage transactions are guided by underwriting requirements of an entity not covered under FRT definition.	The ASC agrees with the Commenter's observations.
Concerned that all available options be exhausted prior to temporary waivers being considered, such as temporary practice permits and reciprocal licensing, and that States should be required to do so.	The ASC agrees that such options should be utilized by States to minimize appraiser shortage in advance of a Request for temporary waiver. However, as a procedural rulemaking, imposing such a requirement is outside the ASC's authority.
Commenter asserts that the ASC should afford great deference to the State appraiser regulatory agency in the processing of a Request. The Commenter asserts the ASC should have clear and convincing evidence if it proceeds contrary to the State's position.	The NPRM incorporates the option for consultation with the State while at the same time maintaining the statutory responsibility for the ASC to make a determination. It is important to note that the decision making authority is with the ASC with approval from the FFIEC in the case of a temporary waiver being granted.

Comments Received on Temporary Waiver Requests NPRM

Conference of State Bank Supervisors (CSBS)	
Comments	**Notes & Recommended Responses**
Concerned about availability of appraisal services, especially in rural areas, and the difficulty in securing timely appraisals. While recognizing multiple reasons for scarcity in areas, Commenter expresses support for revision of minimum credentialing requirements as established by the Appraiser Qualifications Board (AQB) to ensure new entrants into the profession and increase diversity.	While the ASC supports a review of minimum credentialing requirements as established by the AQB to ensure they do not impose a barrier to entry into the profession and promote diversity, that is outside the ASC's authority and the scope of this procedural rulemaking.
Commenter asks for reconsideration of the new requirement for a written determination by the State appraiser regulatory agency.	This requirement is part of the statute and the existing rule: Section 1119(b) of Title XI authorizes the ASC to waive, on a temporary basis, subject to approval of the FFIEC "any requirement relating to certification or licensing of a person to perform appraisals under [Title XI] if the [ASC] or a [State appraiser regulatory agency] makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with [FRTs] in a State. . . ." The NPRM is intended to provide clarification of the application of this statutory requirement.
Commenter asks for reconsideration of the proposed definitions of scarcity and delay to be measured or objectively determined as recommended by the GAO Report.	The ASC must work within the confines of a procedural rulemaking as compared to substantive rulemaking, which would more definitively define scarcity and delay, thereby directly impacting the rights of potential applicants. Within its authority under a procedural rulemaking, the ASC sought to provide more clarity on the processing of a Request or Petition.
Commenter asks for reconsideration of the new requirement to address how complaints concerning appraisals by persons who are not credentialed would be processed as unnecessary since State regulators would continue to review and process complaints.	State appraiser regulatory authorities charged with effective supervision of credentialed appraisers may not have the authority to process complaints over unlicensed or uncredentialed individuals. In the event that the State's authority to process complaints stems from police power over its "licensees," and due to the fact that as a result of a temporary waiver, unlicensed or uncredentialed persons may conduct appraisals, some States may lack jurisdiction to process such complaints.
Commenter asks for reconsideration of extending the ASC's timeframe for action on temporary waivers.	The existing timeframe for the ASC to make a determination is 45-days, which commences on the date of publication. With respect to recent requests for temporary waivers, or other information submissions requesting the ASC initiate a proceeding, the 45-day turnaround limited the time available to process and evaluate information submitted, including comments received during the notice and comment period. In general, the ASC found this limiting for all parties concerned.

Comments Received on Temporary Waiver Requests NPRM

The National Voice of the State Credit Union System (NASCUS)	
Comments	**Notes & Recommended Responses**
The proposed definition of Petition identifies federal financial institution regulators, but fails to include state financial institution regulators.	The ASC agrees that state financial institution regulators should specifically be included in the definition of potential petitioners.
The proposed definitions of scarcity and delay lack specificity to allow for a measurable determination as recommended by the GAO Report.	The ASC must work within the confines of a procedural rulemaking as compared to substantive rulemaking, which would more definitively define scarcity and delay, thereby directly impacting the rights of potential applicants. Within its authority under a procedural rulemaking, the ASC sought to provide more clarity on the processing of a Request or Petition.
Proposed option to refer a Petition to the State appraiser regulatory agency may cause delay. Furthermore, there is no statutory requirement for such a referral.	The NPRM incorporates the option for consultation with the State while at the same time maintaining the statutory responsibility for the ASC to make a determination. It is important to note that the decision making authority is with the ASC with approval from the FFIEC in the case of a temporary waiver being granted. Given the fact that a temporary waiver at the least displaces State law/regulation temporarily, and in some cases interrupts State authority over the appraisal regulatory system, and given the fact that State regulators are often the most knowledgeable concerning scarcity and delay within their borders, the ASC believes it appropriate to include the option to consult with State regulators in the event of a Petition being filed.

North Dakota Department of Financial Institutions, Commissioner Lise Kruse	
Comments	**Notes & Recommended Responses**
Current process cumbersome and bureaucratic and did not offer any real assistance.	ASC agrees that the current process is in need of revision and is intended to provide greater clarity for parties seeking a temporary waiver.
Commenter believes proposed revisions to the rule are seemingly designed to ensure the process is burdensome to the point applications are not received or will be deemed incomplete.	The NPRM is intended to provide more clarity, particularly regarding the type of information that is expected in a Petition or a Request. This degree of specificity is intended to avoid rejection or supplementation of a Request or Petition, which was the case in the North Dakota request, resulting in a delay of nearly one year.
Definitions of scarcity and delay are arbitrary and subjective.	The NPRM incorporates the option for consultation with the State while at the same time maintaining the statutory responsibility for the ASC to make a determination. It is important to note that the decision making authority is with the ASC with approval from the FFIEC in the case of a temporary waiver being granted.

Comments Received on Temporary Waiver Requests NPRM

North Dakota Department of Financial Institutions, Commissioner Lise Kruse (Continued)	
Comments	**Notes & Recommended Responses**
Geographic location as a factor to consider in determining if a delay is out of the ordinary and opens the door to government-sanctioned discrimination.	The acknowledgement of geographic location is built into the statute in section 1119(b) of Title XI, which references a finding of scarcity of certified or licensed appraisers to perform appraisals in connection with [FRTs] in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The language in the existing rule and the proposed rule is intended to reflect that language in recognition of the varying circumstances in political subdivisions within a State. The ASC agrees it should not be applied to deprive anyone of equal access to credit; if anything, the opposite would be the intended outcome.
The proposed definitions of scarcity and delay lack specificity to allow for a measurable determination as recommended by the GAO Report.	The ASC must work within the confines of a procedural rulemaking as compared to substantive rulemaking, which would more definitively define scarcity and delay, thereby directly impacting the rights of potential applicants. Within its authority under a procedural rulemaking, the ASC sought to provide more clarity on the processing of a Request or Petition.
Proposed option to refer a Petition to the State appraiser regulatory agency results in a delegation to State appraiser regulatory agency and will create inconsistencies between States.	The NPRM incorporates the option for consultation with the State while at the same time maintaining the statutory responsibility for the ASC to make a determination. It is important to note that the decision making authority is with the ASC with approval from the FFIEC in the case of a temporary waiver being granted. Given the fact that a temporary waiver at the least displaces State law/regulation temporarily, and in some cases interrupts State authority over the appraisal regulatory system, and given the fact that State regulators are often the most knowledgeable concerning scarcity and delay within their borders, the ASC believes it appropriate to include the option to consult with State regulators in the event of a Petition being filed.
Commenter asserts that NPRM creates two classes of applicants, and that governmental agencies such as state bank regulators need the ability to directly apply for a waiver without being referred to State appraiser regulatory agencies.	Proposed § 1102.3(a) states that the State appraiser regulatory agency for the State in which temporary waiver relief is sought may file a Request for temporary waiver as distinguished from a Petition from other persons or entities as proposed in § 1102.4. A State appraiser regulatory agency may alternatively submit a Petition as set forth in proposed § 1102.4. The ASC believes this is consistent with the intent of the existing rule. In the Preamble of the existing rule (57 *Federal Register* 10980 April 1992) it is stated: "The rules provide persons other than the State appraisal regulatory agencies ('State agencies') with the opportunity to submit informational submissions to the ASC. They also may request that the ASC exercise its discretionary authority to provide temporary waiver relief. The ASC will consider such submissions and requests in determining whether it should initiate a temporary waiver proceeding." The State appraiser regulatory agencies were always given a more direct path to seek temporary waiver.

North Dakota Department of Financial Institutions, Commissioner Lise Kruse (Continued)	
Comments	**Notes & Recommended Responses**
Request by the ASC for documentation, statistical or otherwise verifiable, is requesting something that does not exist due to lack of centralized reporting or gathering mechanism for such data.	The proposed amendments include the phrase "supporting documentation, statistical or otherwise verifiable." This is intended to provide clarification, without being overly prescriptive, as to what a Request or Petition for temporary waiver should include to support the existence of a scarcity and delay, and what the ASC will consider in determining receipt of a Request or Petition. This leaves options open for a requester or petitioner to provide clear and specific data to support a claim that there is a scarcity of appraisers leading to significant delays in the performance of covered appraisals, while recognizing the data supporting such a claim may vary from location to location and situation to situation.
The proposed rule requires applicants to provide meaningful suggestions and recommendations for remedying the situation. The cause is often complex and the applicant may not be in a position to understand the greater political, legal or socioeconomic forces causing the shortage.	This is not a new requirement and was carried over in the NPRM from the existing rule. Particularly in the North Dakota temporary waiver process, the complexity of the problem was recognized, which was the basis for the condition to the Order granting a temporary waiver: "During the one-year period, the Requester is expected to develop a plan through continued dialogue with North Dakota stakeholders, including the Appraiser Board, to identify potential solutions to address appraiser scarcity and appraisal delay." The ASC acknowledged this was not a problem for the Requester alone to resolve.
Commenter questions need for new requirement to address how complaints concerning appraisals by persons who are not credentialed would be processed as unnecessary since transactions would be governed by FFIEC agencies chartering or licensing the lender.	State appraiser regulatory authorities charged with effective supervision of credentialed appraisers may not have the authority to process complaints over unlicensed or uncredentialed individuals. In the event that the State's authority to process complaints stems from police power over its "licensees," and due to the fact that as a result of a temporary waiver, unlicensed or uncredentialed persons may conduct appraisals, some States may lack jurisdiction to process such complaints.
Commenter is concerned that removing the 45-day requirement for the ASC to take action may result in further delay. The ASC may deem a Request or Petition incomplete under the vague requirements, which may result in further delay.	Under either the existing rule or the proposed rule, the timeframe for taking action would not commence in either event until a Petition or Request is deemed received. Incomplete information submitted by an applicant will result in delay in either circumstance. The NPRM is intended to provide more clarity, particularly regarding the type of information that is expected in a Petition or a Request. This degree of specificity is intended to avoid rejection or supplementation of a Request or Petition, which was the case in the North Dakota request, resulting in a delay of nearly one year.

Comment Letters on Notice of Proposed Rulemaking

Temporary Waiver Requests

1. Joint Comment Letter from American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, Appraisal Institute, Massachusetts Board of Real Estate Appraisers Inc., and National Society of Real Estate Appraisers
2. Comment Letter from Conference of State Bank Supervisors
3. Comment Letter from the National Association of State Credit Union Supervisors
4. Comment Letter from the North Dakota Department of Financial Institutions

Joint Comment Letter from American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, Appraisal Institute, Massachusetts Board of Real Estate Appraisers Inc., and National Society of Real Estate Appraisers

March 14, 2022

Lori Schuster
Management and Program Analyst
1325 G Street NW, Suite 500, Washington, DC 20005

Re: Appraisal Subcommittee; Appraiser Regulation; Temporary Waiver Requests, Docket No. AS22-01

The undersigned professional appraiser organizations appreciate the opportunity to comment on the above-captioned proposed rule. The temporary waiver request provision has created a great deal of confusion for appraisers, lenders, and consumers. We believe Congress intended this provision to be – literally – temporary in nature to support the implementation of the appraiser certification and licensing requirements enacted by Congress in 1989. In recent years, the ASC offered the temporary waiver request as a form of "regulatory relief" to industry participants, but in doing so, has created a great deal of confusion in the marketplace. While we generally support the proposed actions the Appraisal Subcommittee (ASC) wishes to take regarding the process for considering temporary waiver requests, we are concerned about unintended negative consequences and continued misunderstanding regarding the nature of relief provided through the grant of a waiver.

Among documentation to request a temporary waiver, proposed rules 1102.3(b) and 1102.4(b) require reporting "the extent of the delays *anticipated* or experienced in the performance of appraisals by certified or licensed appraisers (including supporting documentation, statistical or otherwise verifiable) (emphasis added)." While verifiable data should be at the forefront of any waiver request, granting waivers based solely on "anticipated delays" is troubling.

At a minimum, to avoid specious waiver requests, we ask the ASC to more clearly define the nature and amount of evidence required to support the grant of a temporary waiver solely based on "anticipated delays", including that evidence must be more than general appraiser population trends or mortgage origination data. For example, is the reason an entity is requesting a temporary waiver because appraisers were offered dwindling fees in their market, and therefore not interested in accepting the appraisal assignment? Put differently, a request for temporary waiver solely based on "anticipated delays" must use clear, convincing, and specific evidence.

More broadly, it seems the ASC is mixing the economic concepts of shortage with scarcity. A *scarcity* of appraisers would be demonstrated by whether there is a decline in the number of credential appraisals and a lack of new applicants, while a *shortage* of appraisers would mean there are credentialed appraiser, but there are not enough available to prevent from longer appraisal turnaround times than lenders would prefer. Granting appraisal waivers entirely on the assumption of "anticipated delays" absent supporting evidence of this quality and nature would not only harm consumers but undermine trust in the appraisal profession and its regulatory structures. While waivers address appraiser scarcity, it is important for ASC to remind potential applicants for relief that the overall impact of waivers is limited in scope as they only pertain to the use of appraisers in connection with federally-related transactions (FRT). A waiver does not remove the requirement to obtain an appraisal in connection with an FRT, and in many cases mortgage transactions are guided by the underwriting requirements of an entity who is not covered under the definition of an FRT.

Using the example of North Dakota, you must review how much relief was granted by the appraisal waiver. According to Zillow, the typical home values in North Dakota are $259,960. For a waiver to be required, the transaction must be valued over $400,000 dollars, not sold or contemplated for sale to a government-sponsored enterprise such as Fannie Mae or Freddie Mac, and not part of a federal loan guarantee program such as an FHA loan. In short, while relief was granted to North Dakota, the practical impact of such relief was likely minimal at best. Applicants should fully understand the contours of available relief before engaging in a time and resource intensive application process.

Moreover, the ASC should require that states exhaust every available option to rectify the appraiser shortage before requesting a waiver, such as temporary practice permits or reciprocal licensing. It is critical to the safety and soundness of the housing finance sector that appraisers are still part of the process in preventing risk to lenders and consumers.

Lastly, in reviewing the Temporary Waiver Flow Chart – For Notice of Proposed Rulemaking, the ASC should afford great deference to the state appraisal agency when they decide not to proceed with a waiver request. The flow chart indicates that ASC can move forward with a waiver even if the state appraisal agency declines the petition. More than any other agency or group, state appraisal agencies understand the appraisal issues happening within their jurisdiction. The ASC must have clear and convincing evidence if it is to contravene the judgment of those closest to the issues and be mindful of the message sent to the state appraisal agency where their determinations are overruled by the ASC.

Further, the chart indicates that the ASC can entirely circumvent input from a state appraisal agency and proceed with waiver requests from a third party. The ASC should exercise extreme caution when and if a petition is considered in these circumstances. While third parties can petition the ASC for a waiver, the State Appraisal Board should always be solicited for input on appraisal practices in their state.

If you have any questions or wish to discuss our views further please contact the individuals listed below:

ASA: John D. Russell, JD, Strategic Partnership Officer, jrussell@appraiers.org, 703-733-2103
ASFMRA: Brian Stockman, Executive Vice President/CEO, bstockman@asfmra.org, 303-692-1211
AI: Bill Garber, Director of Government and External Relations, bgarber@appraisalinstitute.org, 202-298-5586
MBREA: Stephen E. Sousa, Executive Vice President, steve@mbrea.org, 617-830-4530
NSREA: Robbie Wilson, RA, SRA, ASA; President, president@nsrea.org, 469-569-3595

Sincerely,
American Society of Appraisers
American Society of Farm Managers and Rural Appraisers
Appraisal Institute
MBREA|The Association for Valuation Professionals™
National Society of Real Estate Appraisers

Comment Letter from Conference of State Bank Supervisors

CSBS

March 14, 2022

Appraisal Subcommittee
Attn: Lori Schuster
Management and Program Analyst
1325 G Street NW, Suite 500
Washington, DC 20005

Docket No. AS22-01
Submitted electronically via Regulations.gov

Re: *Notice of Proposed Rulemaking – Temporary Waiver Requests*

Dear Sir or Madam,

The Conference of State Bank Supervisors ("CSBS")[1] appreciates the opportunity to comment on the Notice of Proposed Rulemaking ("NPR") issued by the Appraisal Subcommittee ("ASC") of the Federal Financial Institutions Examination Council ("FFIEC"). CSBS supports the stated goals of greater transparency and clarity for the waiver request process.

The ASC's effort is a welcome step toward improving the rules of practice and procedure governing temporary waiver proceedings issued in 1992 pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI"). However, we have several specific concerns with the ASC proposal that are detailed below. State regulators have long been concerned about the availability of appraisal services, especially in rural areas. Difficulties in securing timely appraisals can suppress credit availability in those areas. In the current interest rate environment appraisal delays can also impose extra costs on consumers and result in lost opportunities. Excessive delays and increasing costs are particularly problematic in rural areas and in any areas experiencing housing shortages. There may be multiple reasons why appraisers are scarce in some areas, but state regulators believe that credentialing and licensing requirements set by the Appraiser Qualifications Board should be revised to ensure new appraisers continue to enter and diversify the profession.

CSBS supported the State of North Dakota in their request for the waiver in 2019 and the further extension of that waiver in 2020. Given the experience of the State of North Dakota during that year-long painstaking process, it is clear the waiver process needs improvement.

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[1] CSBS is the nationwide organization of state banking and financial regulators from all 50 states, American Samoa, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands. CSBS supports the state banking agencies by serving as a forum for policy and supervisory process development, by facilitating regulatory coordination on a state-to-state and state-to-federal basis, and by facilitating state implementation of policy through training, educational programs, and examination resource development.

CONFERENCE OF STATE BANK SUPERVISORS
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CSBS

CSBS supports a more transparent, objective waiver process under Title XI. CSBS recommends the ASC reconsider the following provisions of the NPR:

- *The new requirement for a written determination by the state appraisal agency that there is a scarcity of certified or licensed appraisers leading to significant delays.* State regulators believe that there is no justification for this change and are concerned it will restrict, if not eliminate, the ability of applicants to seek waivers.
- *New definitions for 'scarcity' and 'significant delay'.* The proposed definitions cannot be consistently measured or objectively determined as recommended by the Government Accountability Office (GAO) in its November 2021 report.
- *A new requirement to address how complaints concerning appraisals by persons who are not certified or licensed would be processed in the event a temporary waiver is granted.* This new requirement is unnecessary because state regulators continue to review and process complaints regardless of waiver status.
- *The extension of the ASC's timeframe for action from 45 to 90 days and removal of timeframe for FFIEC to concur with ASC's decision to grant a waiver.* The ASC provides inadequate justification for extending the review period.

The new requirement for a written determination by the state appraisal agency that there is a scarcity of certified or licensed appraisers leading to significant delays will create unnecessary challenges for waiver applicants and will likely lead to a significant reduction, if not elimination, of waiver requests.

The current regulation does not require a written determination from the state appraisal agency before a state or any other third party can apply for a waiver. There is also no requirement in the underlying statute for such a determination. In the case of North Dakota, the temporary waiver request submitted by the Honorable Doug Burgum, Governor of North Dakota, explained why the shortage of appraisers, coupled with the current constrictive appraisal guidelines, significantly delayed the performance of appraisals in North Dakota.

Members of the state appraisal board opposed the waiver at the public hearing and sent a letter opposing the waiver[2]. If this proposed requirement had been in place at the time of North Dakota's application, it is highly unlikely that the state appraisal board would have issued the required determination. The effect of this proposed requirement would be to make a state less likely to even get a waiver considered. Since the waiver provision has been used successfully just twice in 30 years this requirement is unnecessarily restrictive. This provision would give a state appraisal agency veto power over a third-party request for a waiver – such veto power is inconsistent with the provisions of Title XI.

The new petition process by which the federal financial institutions regulatory agencies, their respective regulated financial institutions, and other persons or institutions with a

[2] NDREAB waiver extension response letter (asc.gov)

demonstrable interest in appraiser regulation, including a state appraisal agency, may petition the ASC to exercise its discretionary authority to initiate a temporary waiver proceeding adds a superfluous additional layer of bureaucracy to a process that took North Dakota a full year under the existing rule.

New proposed definitions for 'scarcity' and 'significant delay' cannot be consistently measured or objectively determined as recommended by the Government Accountability Office (GAO) in its November 2021 report.

The proposed rule defines '*Scarcity of certified or licensed appraisers' as* the number of active certified or licensed appraisers within a state or a specified geographical political subdivision is insufficient to meet the demand for appraisal services and **such appraisers are difficult to retain** [emphasis added]. Title XI does not include a requirement that appraisers be difficult to retain when considering whether to approve a waiver. The only requirement in Title XI is scarcity leading to significant delay. No explanation is given for how the 'difficult to retain' standard could be objectively determined or measured. The proposed rule defines '*Significant delays in the performance of appraisals'* as delays that are substantially out of the ordinary when compared to performance of appraisals for similarly situated federally related transactions based on factors such as geographic location (*e.g.,* rural versus urban) and assignment type, and the delay is not the result of intervening circumstances outside the appraiser's control or brought about by the appraiser's client (*e.g.,* inability to access the subject property).

The GAO recommended in its November 2021 report on real estate appraisals that the ASC define both of these critical terms "so that these conditions can be consistently measured, and establish standards to objectively determine whether these conditions exist."[3] Neither of these new definitions can be consistently measured or objectively considered as written. The GAO report also includes a map showing that North Dakota had the nation's longest lead time (based on data from the Department of Veterans Affairs, Chase Bank, and Quicken Loans) without commenting on the likelihood of such a map being considered sufficient data to prove the existence of a delay.

When operating under a waiver, state regulators continue to review complaints related to appraisals. There is no need for a new requirement to address how complaints concerning appraisals by persons who are not certified or licensed would be processed in the event a temporary waiver is granted.

Neither Title XI nor the current regulation include a similar requirement. Even under a waiver, the Uniform Standards of Professional Appraisal Practice ("USPAP") remained in effect for all appraisals of federally related transactions. There is no evidence that North Dakota's recent waiver (or the extension of that waiver) caused any harm to consumers. Complaints about

[3] Real Estate Appraisals: Most Residential Mortgages Received Appraisals, but Waiver Procedures Need to Be Better Defined | U.S. GAO, November 24, 2021.

appraisers were handled by state regulators in the normal course of business during the existence of the waiver. The NPR fails to identify any evidence suggesting that complaints about appraisals were not adequately addressed during the waiver in North Dakota.

There is inadequate justification for extending the ASC's timeframe for action from 45 days to 90 days and removing the timeframe for the FFIEC to concur with the ASC's decision to grant a waiver.

In the case of the North Dakota waiver both the ASC and the FFIEC were able to act within the 45-day time limit set out in the current regulation. No evidence has been presented to indicate either body required additional time to consider the request in 2019, or the request for the extension in 2020. Nor has any evidence been presented of a high volume of waiver requests being received by the ASC and the FFIEC. The ASC website lists two requests.

FFIEC members are the Board of Governors of the Federal Reserve System, the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the State Liaison Committee. Only the State Liaison Committee is not also a member of the ASC so the concurrence of the FFIEC should not require substantial additional time to complete. The proposed rule should include a deadline for action by the FFIEC as well as for the ASC to promote clarity and transparency in the process.

Conclusion

CSBS appreciates the ASC's efforts to modernize the appraisal waiver process under Title XI. For that process to be equitable and effective, the ASC must increase the transparency of the process. The proposed rule changes do not accomplish that stated goal for the reasons noted above. We look forward to further engagement with the ASC on this important topic.

Sincerely,

John Ryan
President & CEO

Comment Letter from the National Association of State Credit Union Supervisors

The National Voice of the State Credit Union System

March 14, 2022

Appraisal Subcommittee
Attn: Lori Schuster
Management and Program Analyst
1325 G Street NW, Suite 500
Washington, DC 20005

Re: NASCUS Comments on Docket No. AS22-01, Appraisal Subcommittee; Appraiser Regulation; Temporary Waiver Requests

Dear Management and Program Analyst Schuster,

The National Association of State Credit Union Supervisors ("NASCUS")[1] submits this letter in response to the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) proposal to amend existing rules of practice and procedure governing temporary waiver proceedings.[2] The ASC's proposed amendments are intended to provide greater transparency and clarity to temporary waiver proceedings pursuant to Section 1119(b) of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.[3] A properly calibrated and equitable appraisal waiver process is essential to mitigate the dire effects that a regional scarcity of qualified appraisers can have on the provision of credit to consumers related to real estate transactions.

NASCUS welcomes efforts to enhance the waiver process and we commend the ASC for undertaking this important initiative. However, as discussed in our comments that follow, the changes as proposed would likely diminish the practical effectiveness of the Section 1119(b) appraisal waiver process rather than strengthen it.

When considering the appraisal waiver process, it is worth noting that neither abuse of the waiver process to circumvent appraisal requirements, nor a too low bar for approval of a waiver, are issues in need of redress. As the ASC acknowledges in the Supplemental Material of the proposed rulemaking, since the inception of the waiver process in 1992, only two waivers have been granted.[4] Furthermore, while beyond the scope of this proposed rulemaking, there are systemic issues disrupting the appraisal industry in general suggesting

[1] NASCUS is the professional association of the nation's 45 state credit union regulatory agencies that charter and supervise 1,975 state credit unions. NASCUS membership includes state regulatory agencies, state chartered and federally chartered credit unions, and other important stakeholders in the state system. State chartered credit unions hold over half of the $2.01 trillion assets in the credit union system and are proud to represent nearly half of the 129 million credit union members.
[2] "Appraisal Subcommittee; Appraiser Regulation; Temporary Waiver Requests" 87 Fed. Reg. 2079 (January 13, 2022).
[3] 12 U.S.C. 3348(b).
[4] The first was for the Commonwealth of the Northern Mariana Islands in 1993 and the second for the State of North Dakota in 2019. See 87 Fed. Reg. 2080 (January 13, 2022).

that holistic reform of the industry is long overdue.[5] Given the preceding, changes to the waiver process should be focused on ensuring the process is properly calibrated to mitigate disruptions resulting from fragility in the appraisal industry.

Definitions

The ASC proposal would establish several definitions for terms in the waiver process. Several of the proposed definitions, such as those for *federally related transactions, performance of appraisals,* and *request for temporary waiver,* make sense. Others however, such as *petition, scarcity of certified or licensed appraisers,* and *significant delays in the performance of an appraisal,* are either incomplete or vague.

The proposed definition of *petition* identifies federal financial institution regulators as well as other stakeholders. One of the two petitions submitted in the past 30-years came from the State of North Dakota, and it will likely be a state financial institution regulator, with an intimate understanding of the unique factors contributing to a local scarcity of licensed appraisers and the corresponding effect on the availability of consumer and commercial credit, that recognizes a waiver petition is appropriate. Therefore, the definition should specifically identify state financial regulators in addition to federal regulators, institutions, and other stakeholders.

The proposed definition for *scarcity of certified or licensed appraisers* lacks the specificity to allow for a measurable determination as was recommended by the Government Accountability Office's November 2021 report on Real Estate Appraisals.[6] The proposed definition of *significant delays in the performance of an appraisal* is also flawed. In both cases, the ASC should consider more definitive metrics with a sensitivity to the harm appraisal delays cause borrowers and the corresponding detrimental impact on the local economies.

Proposed § 1102.4(f) referral of a Petition to the State Appraisal Agency

Section 1102.4(f) of ASC's proposal would provide an option to the ASC to initially refer a Petition to the State Appraisal Agency where temporary waiver relief is sought for evaluation and further study. The Supplemental Material fails to expound on why a referral would be a productive step in the process. Given the near uniform opposition from the appraisal industry to the last request for a temporary waiver, it is not unreasonable to conclude that such a referral serves only to further delay relief and render the process serpentine.[7]

There is no statutory requirement that constrains the discretion of ASC to determine a waiver is warranted to the concurrence of the State Appraisal Authority. Self-imposing such a constraint diminishes the process, marginalizes the need for expeditious evaluation of a

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[5] ""I don't want to say we're archaic": Appraisal Institute president vows reform," *HousingWire,* Mathew Blake, January 20, 2022. Available at https://www.housingwire.com/articles/i-dont-want-to-say-were-archaic-appraisal-institute-president-vows-reform/.

[6] See https://www.gao.gov/assets/gao-22-104472.pdf.

[7] "Appraisal Subcommittee; Final Order Granting in Part Temporary Waiver Relief," 84 Fed. Reg. 38630 (November 7, 2019).

request, and ignores the real-world harm on borrowers of delayed appraisals. This proposed provision should be stricken from a final rule.

NASCUS thanks the Appraisal Subcommittee for the opportunity to submit comments on this important rulemaking. We would be happy to discuss our comments further at your convenience.

Sincerely,

- signature redacted for electronic publication -

Brian Knight
President & CEO

Comment Letter from the North Dakota Department of Financial Institutions

NORTH Dakota | Financial Institutions

Be Legendary.™

March 14, 2022

Appraisal Subcommittee
Attn: Lori Schuster
Management and Program Analyst
1325 G Street NW, Suite 500
Washington, DC 20005

Docket No. AS22-01

Submitted electronically via Regulations.gov

Re: Notice of Proposed Rulemaking – Temporary Waiver Proceedings

Thank you for the opportunity to comment on the proposed changes to the rules of practice and procedure governing temporary waiver proceedings. As Commissioner of the North Dakota Department of Financial Institutions, I am the state regulator in North Dakota overseeing 59 banks, 20 credit unions, and 8,900 non-depository licensees serving this state's citizens and businesses. My perspective is as the regulator tasked with protecting the rights and addressing the needs of North Dakota consumers, especially ensuring the safe and sound operation of financial institutions and the availability of financial services. Also, I have the perspective as one of only two applicants to have received a temporary waiver in the 30 years this waiver process has existed. A sound financial system, including a functional appraisal process, is critically important to credit access, home ownership, and the economic wellbeing of citizens. Therefore, I appreciate your willingness to review the temporary waiver process for much needed clarity and transparency.

The current process is needlessly cumbersome and bureaucratic to the point that it discourages applicants with sound qualifying circumstances from applying. The process is arbitrary and in need of clear definitions to be a useful tool. In our experience, we were asked to produce statistical data that has not been identified or defined by the Appraisal Subcommittee (ASC), were asked to develop a plan to resolve the scarcity – a scarcity not reasonably within our legal ability to resolve, and we were not granted the requested and necessary 5-year temporary waiver. Rather, we were granted a 1-year temporary waiver with a renewal option, a process which effectively created a near perpetual need for us as the applicant to collect data and submit applications. The cumbersome and bureaucratic process prevents the temporary waiver process from offering any real assistance to communities and people burdened by a shortage of appraisers and resulting delays.

Unfortunately, the proposed changes to the temporary waiver process do not resolve these problems, rather the changes seemingly are designed to ensure the process is burdensome to the point that applications or petitions are not received, applications or petitions are deemed incomplete, or applications or petitions are otherwise not acted upon by the Appraisal Subcommittee and the Federal Financial Institutions Examination Council (FFIEC). While the ASC notes that it is tasked with exercising this authority "cautiously," it is still tasked with exercising the authority. The proposed rule places additional burdens upon the applicant including limits on who may apply, adds a greater need to create otherwise undefined statistical measures of shortage, increases the burden to generate "meaningful" remedies, shifts ASC responsibilities to local State Appraisal Agencies and the applicants themselves, and adds subjectivity to an already subjective process, including within the definition of scarcity and delay. With only two approvals in the 30-year history of the waiver, the ACS has already acted with extreme caution to the point that the temporary waiver process has provided next to no systemic relief, and the proposed changes to the process only serve to further negate it as a meaningful tool to address appraiser scarcity.

Definitions

The proposed rule defines several key terms, including "Scarcity of Certified or Licensed Appraisers." The definition as proposed remains subjective with little guidance on how to support an application. While the rule asks for "documentation, statistical or otherwise" this requirement is very generic. The proposed rule does nothing to provide an applicant or petitioner with an understanding of what specifically will meet this standard.

The proposed rule also defines "Significant Delays in the Performance of Appraisals." Here again the definition is arbitrary and subjective, providing the applicant minimal guidance to understand if this standard has been met. The statements which are provided are troubling, specifically the inference that geographic location is a factor to consider in determining if a delay is out of the ordinary with the examples of "rural versus urban" given as support. Proposing differing standards based upon geography opens the door to government-sanctioned discrimination and redlining against those in more rural areas. In a rural state like North Dakota, home to five federally recognized Native American tribes where Native American reservations are predominantly rural, this proposed standard will disproportionally impact our Native American communities[1]. An appraisal is a key element to obtain credit, and all Americans deserve equal access to credit. Accepting differing standards based upon geographic locations would be inconsistent with state and federal laws prohibiting discrimination in financial services. The proposed change has the potential to further exacerbate the problems of discrimination and bias in the appraisal process highlighted in the January 2022 report issued to the ASC "Identifying Bias and Barriers, Promoting

[1] The North Dakota Indian Affairs Commission supported the temporary waiver in North Dakota, providing a support letter to the July 6, 2020, extension request due to the "...significant positive impact it has had on our rural communities, especially the Tribal communities..." excerpt from letter on page 23 of extension request found here: [2020.07.06 -Two-year waiver extension request from ND Requestors.pdf (asc.gov)]

Equity," which describes how discrimination in appraisals continues on an individual and systemic basis.[2] This is of great concern.

The United States Government Accountability Office (GAO) in its November 2021 Real Estate Appraisals review, recommended that appraiser scarcity and delay should be defined "so that these conditions can be consistently measured, and establish standards to objectively determine whether these conditions exist." The proposed definitions are arbitrary and do not provide clarity. The ASC has not addressed the GAO recommendations[3] with this proposed rule.

Applications versus Petitions

The proposed rule effectively creates two classes of applicants. First, the State Appraisal Agency, typically representing the interests of appraisers, who have the right to initiate a formal application. Second, all other stakeholders who have the right only to petition the ASC. For a petition, the ASC "may" at its discretion consider the matter or refer the matter to the State Appraisal Agency. This effectively delegates the ASC's responsibility to 50 separate State Appraisal Agencies, Agencies which represent the interest of the appraisal industry. Under this regulatory scheme, the appraisal industry exercises a great deal of self-regulation and influence in matters that not only impact their interests but impact the interests of other industries and consumers. It will also create inconsistencies between the different states as each state may act on a similar petition differently. This structure is inappropriate and needlessly limits the rights of many stakeholders, most notably, the rights of consumers who pay for appraisals and who are most impacted by appraisal shortages and the resulting delays.

At a minimum, governmental agencies such as state banking regulators, housing agencies, tribal governments, and consumer protection agencies (e.g., State Attorney General) need the ability to directly apply for a waiver without it being referred to the State Appraisal Agencies. These state and tribal agencies are tasked with the protection of consumers' rights and are in tune with the financial needs and challenges of the local communities. Affording these government agencies the right to directly apply for a waiver and to be in control of the application process ensure the interests of consumers are adequality considered by the ASC. As proposed, the ASC is adding a bureaucratic layer and narrowing who can be a qualified applicant, which appears inconsistent with Title XI which states that a request can also be from "other persons or entities."[4]

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[2] The report is a study commissioned by the ASC and FFIEC and carried out by the Council on Licensure, Enforcement and Regulation. The bias findings referred to is covered on pages 17-20 of this report. 2022-01-14 NFHA et al Analysis.pdf (asc.gov)

[3] The GAO report is found here: Real Estate Appraisals: Most Residential Mortgages Received Appraisals, but Waiver Procedures Need to Be Better Defined | U.S. GAO

[4] Subpart A – Temporary Waiver Request. §1102.1 states in part: "...credible information or requests received from other persons or entities..." and §1102.2 states "**If** the requester is a State Appraiser Regulatory Agency..." [emphasis added]. These sections clearly indicate that requesters are not limited to State Appraiser Regulatory Agencies. https://www.ecfr.gov/current/title-12/chapter-XI/part-1102/subpart-A

Statistical Data

The proposed rule outlines the need for documentation to support the application, including support that is "statistical or otherwise verifiable." While the theory behind this is sound, the ASC is asking for something that simply does not exist, and acceptable data has not been identified or defined by the ASC. Each lender and appraiser independently create data such as appraisal turnaround times and average appraisal costs, but there is no centralized reporting or gathering mechanism for this data. This data is not part of the required FFIEC Reports of Condition and Income or National Credit Union Association (NCUA) Call Reports from the bank and credit union industries. Appraisers are not required to track or report this in any way. Most financial institutions and appraisers would have an interest in closely guarding this information as a trade secret, thus it is unlikely the data will be publicly available, if in fact the data does exist. While the GAO report did note the use of Veterans Affairs loan data, this data is only a small subset of the industry as a whole. There is no way for an applicant or petitioner to aggregate the data in a reliable manner as required by this rule.

Without the existence of a complete and publicly available dataset, applicants are forced into a position of gathering the data via industry surveys and other less reliable means to try and meet this rule's requirements. The result is stakeholders independently gathering data, which can produce contradictory results. This was evident in the request of North Dakota's temporary waiver. A commenter in opposition of the request provided survey data which directly contradicted survey data provided by the Department of Financial Institutions. This brings to light potential survey bias and other weaknesses within a process demanding data-driven results from data which does not otherwise exist.

If the ASC is going to require statistical or otherwise verifiable data, the ASC needs to define a standard for that data and a realistic means of compiling that data. As written, the proposed rule would make it impossible for an applicant to complete an application or petition.

Recommendations for Remedying the Situation

The proposed rule establishes a requirement upon the applicant to provide "meaningful suggestions and recommendations for remedying the situation." While this may be possible, often the cause of the appraiser shortage is complex. The applicant may be in a position to understand there is a shortage; however, the applicant may not be in a position to understand the greater political, legal, or socioeconomic forces causing the shortage. Placing the burden upon the applicant to find solutions to the complex problems creating appraiser shortages inappropriately shifts the responsibility to provide sound governance and rulemaking over the appraisal process from the Appraisal Foundation or ASC to the applicant or petitioner.

Complaints Concerning Appraisals

The proposed rule establishes a requirement upon the applicant to outline "how complaints concerning appraisals by persons who are not certified or licensed would be processed". The transactions under a temporary waiver would continue to be governed by the FFIEC agencies chartering or licensing the lender. Government oversight over the transaction and corresponding FFIEC appraisal rules are not waived. Forcing the applicant to provide this analysis is not only unnecessary, but it again inappropriately shifts the responsibility to provide sound governance and rulemaking over the appraisal process to the applicant or petitioner. The applicant or petitioner is in a position to understand the need for the temporary waiver, the ASC is the agency tasked with establishing a workable framework to provide a waiver.

Applications Not Deemed Received

The proposed rule eliminates the 45-day requirement for the ASC and FFIEC to take action upon the request. In its place, it establishes a system upon which the ASC may deem an application or petition incomplete and ask for more information to fulfill vague requirements. Since the requirements remain vague under this proposal, the ASC may perpetually refer an application or petition back to the applicant requesting an ever-increasing amount of information to fulfill these vague requirements. In doing so, there is no requirement that an application or petition ever receive meaningful consideration or clear approval or denial from the ASC or FFIEC. If the ASC is to provide meaningful oversight and governance over the temporary waiver process, at a minimum it needs to take action to approve or deny all applications or petitions. Requests for additional information can be made, but no application or petition should be delayed more than 90 days without approval or denial from the ASC or FFIEC.

Conclusion

The rule as proposed does not address the weaknesses within the temporary waiver process. Definitions need to make clear what constitutes scarcity and delays without government-sanctioned discrimination and redlining. The ASC needs to address not only interests of the appraisal industry, but also other stakeholders including consumers. This can be done by giving these stakeholders a clear right to an application to be heard by the ASC. The rule needs to make clear the application requirements including a clear explanation of the supporting data that is both needed and available to potential applicants. The ASC needs to retain the governance responsibilities related to complaints and remedies to scarcity and not shift this to the applicant. Finally, the ASC owes all interested parties the right to apply consistent with Title XI and give those applicants the right to an honest review and decision on an application. As written, the proposal does not do any of this. I ask the ASC to reconsider the proposed rule to ensure it can become a meaningful tool to offer real assistance to communities and people burdened by a shortage of appraisers and resulting appraisal delays.

Sincerely,

Lise Kruse

Lise Kruse
Commissioner
North Dakota Department of Financial Institutions

FY22 ASC Grant Status

	State	Name in PMS (Conformed to SAM)	Current Budget Period Start Date	Budget Period End Date	Amounts Authorized	Total Amounts Drawn	Funds Remaining
1	KY	Council for Licensure, Enforcement and Regulation	10/1/2020	9/30/2024	$749,758	$702,275.47	$47,483
2	MN	Department of Commerce Minnesota	10/1/2020	9/30/2023	$25,000	$4,934.34	$20,066
3	SD	South Dakota Department of Labor Regulation	10/1/2020	9/30/2023	$120,000	$82,395.15	$37,605
4	UT	Utah Department of Commerce	10/1/2020	9/30/2023	$57,100	$8,654.48	$48,446
5	AR	Arkansas Department of Labor and Licensing	4/1/2021	3/31/2024	$116,500	$5,000.00	$111,500
6	HI	Department of Commerce and Consumer Affairs, State of Hawaii	4/1/2021	3/31/2024	$25,850	$ -	$25,850
7	MS	Mississippi Real Estate Commission	4/1/2021	3/31/2024	$119,900	$47,555.00	$72,345
8	NC	North Carolina Appraisal Board	4/1/2021	3/31/2024	$117,200	$97,748.63	$19,451
9	AZ	Insurance, Arizona Dept Of	10/1/2021	9/30/2023	$232,000	$136,353.68	$95,646
10	CT	Connecticut Department of Consumer Protection	10/1/2021	9/30/2024	$119,409	$ -	$119,409
11	IL	Illinois Department of Financial and Professional Regulation	10/1/2021	9/30/2023	$104,800	$24,649.40	$80,151
12	KY	Public Protection Cabinet - Kentucky	10/1/2021	9/30/2023	$38,551	$24,934.43	$13,617
13	LA	Louisana Real Estate Appraisers Board	10/1/2021	9/30/2023	$119,987	$63,330.65	$56,656
14	MT	Montana Department of Labor and Industry	10/1/2021	9/30/2024	$78,400	$ -	$78,400
15	TX	Real Estate Commission, Texas	10/1/2021	9/30/2023	$221,640	$190,840.00	$30,800
16	VT	Vermont Office of Professional Regulation	10/1/2021	9/30/2024	$109,120	$ -	$109,120
					$2,355,215.00	***$1,388,671.23***	***$966,543.77***

New ASC Website Project Screen Shots

New ASC Website Project
Screen Shots

ASC Website Project Update:

- Project Started – FY2020
- Drupal Selected as Website Content Management System (CMS)
- Webpage Design and Development begun late FY2020
- Coding begun FY2021
- Currently in Final Updates and Development
- Following Screen Shots Show Final Design Language
- Projected to "Go-Live" this Quarter or early 3rd Quarter

APPRAISAL SUBCOMMITTEE
FFIEC

New ASC Website Project
Screen Shots

<u>ASC Screen Shots in Order:</u>

- Homepage
- State Data Displayed on Homepage
- About the ASC Page
- About the ASC Sub-page list
- State Compliance Review Page
- State Compliance Review Sub-page list
- National Registries Page
- Appraiser Registry Search Page
- Grants Page
- Grants Sub-page list
- Resources Page
- Resources Sub-page list

APPRAISAL SUBCOMMITTEE
FFIEC

An official website of the United States government Here's how you know

Appraiser Complaint Hotline

APPRAISAL SUBCOMMITTEE FFIEC

About State Compliance National Registries Grants Resources

Search

We provide federal oversight of State appraiser and AMC regulatory programs

About ASC

Data By State

Select a State to view its Appraiser and Appraisal Management Company (AMC) Program and Registry information.

View map in list view >

IA

Iowa

Appraisers

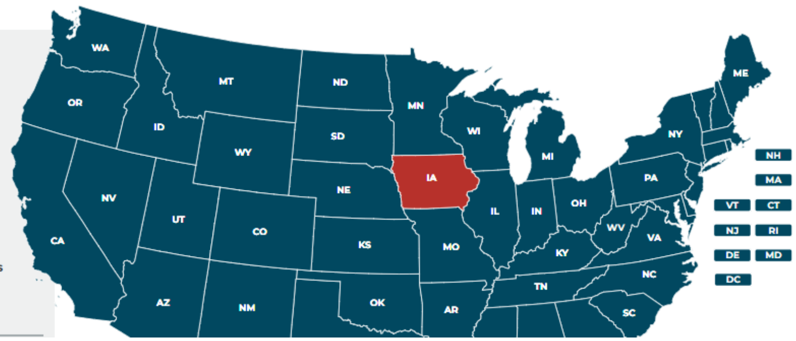
Appraiser Registry

1396 Active Credentials

- Licensed Appraisers: 0
- Certified Residential: 464
- Certified General: 762

Appraiser Compliance Review Findings

Excellent



Data By State

Select a State to view its Appraiser and Appraisal Management Company (AMC) Program and Registry information.

View map in list view >

Iowa

Appraisers

Appraiser Registry

1396 Active Credentials

- Licensed Appraisers: 0
- Certified Residential: 464
- Certified General: 762

Appraiser Compliance Review Findings

Excellent

AMCs

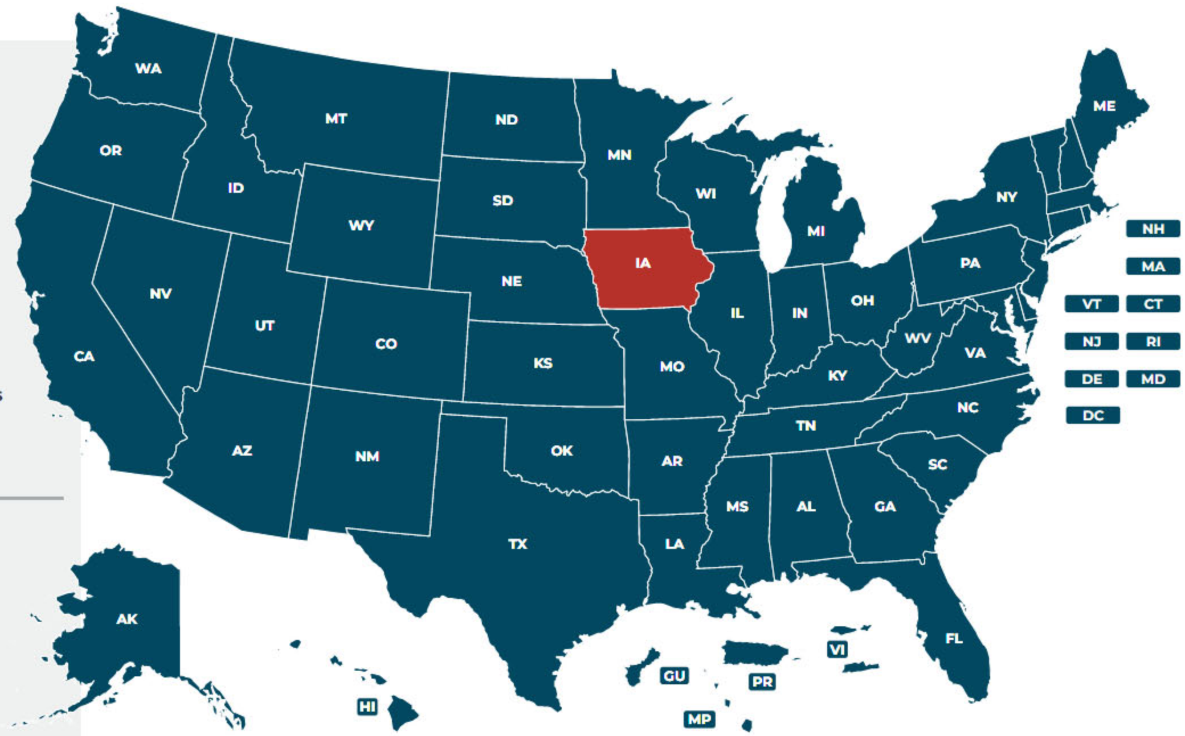
AMC Registry

Active Registrations: 96

AMC Compliance Review Findings

Good

More about Iowa



About A

The Appraisal S sees the real estate appraisal regulatory framework for federally related transactions. The ASC is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC).

ASC was established by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). FIRREA became law on August 9, 1989.

ASC Meetings

ASC meets at least 4 times per year. Meetings are open to the public.

How to Attend

ASC Mission

To provide federal oversight of State appraiser and appraisal management company (AMC) 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.

About ASC

The Appraisal Subcommittee (ASC) oversees the real estate appraisal regulatory framework for federally related transactions. The ASC is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC)

ASC was established by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). FIRREA became law on August 9, 1989.

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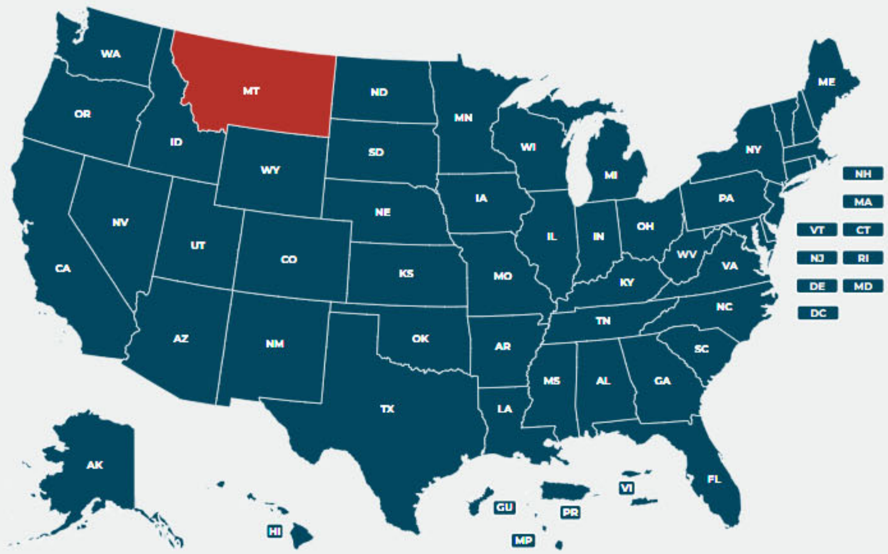
State Compliance

The ASC monitors State appraiser licensing and certification regulatory programs for compliance with Title XI for Appraiser and AMC programs

Use the map or list view to find information about each state or territory.

Map View List View



Montana

Appraiser Program Point of Contact

Sharon Peterson
Executive Officer

dlibsdrea@mt.gov
406-841-2375

Mailing Address

Board of Real Estate Appraisers
301 South Park Avenue, 4th Floor
Helena, MT 59620-0513

AMC Program Point of Contact

Sharon Peterson

Mailing Address

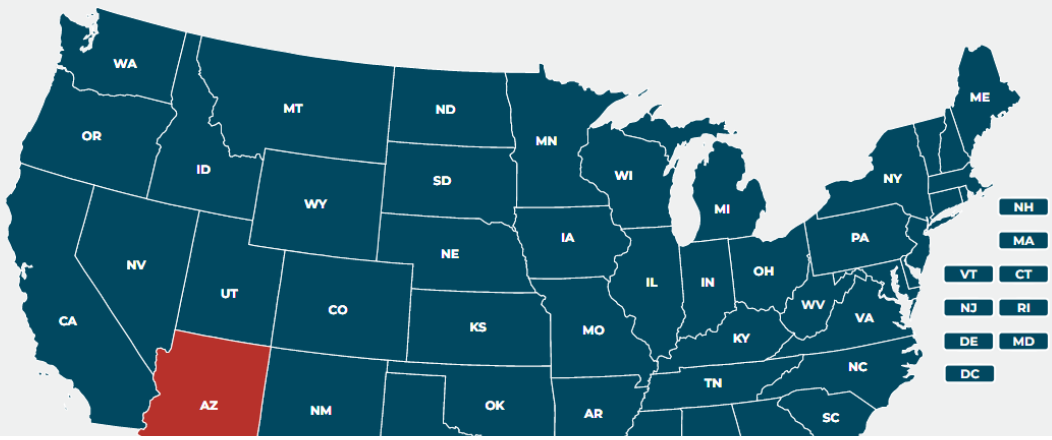
Board of Real Estate Appraisers
301 South Park Avenue, 4th Floor
Helena, MT 59620-0513
United States

State Complianc

The ASC monitors State appraiser licensing and certification regulatory programs for compliance with Title XI for Appraiser and AMC programs

Use the map or list view to find information about each state or territory.

Map View List View



How do I update credentials?

Contact a State agency directly

Appraiser Registry

Quick Search | Advanced Search

Credentialing State/Territory: - Select -

Certificate Type: - Select -

First Name

Last Name

Apply

National Registries

The National Registries list certified and licensed appraisers, and registered Appraisal Management Companies (AMCs). These individuals and organizations are authorized by a State to perform appraisals in connection with federally related transactions.

State Regulator Sign In
Appraiser Registry
AMC Registry

Information Updates

- Contact the credentialing State agency to update information listed in the registries

- Complete history of an appraiser's credentials or AMC's registration.

Find State Agencies

Grants

ASC provides grants to improve the real estate appraisal regulatory framework.

State Support Grants

Training and Technical Assistance Grants

Appraisal Foundation Grants

Grants Resources

Grants

ASC provides grants to improve the real estate appraisal regulatory framework.

[State Support Grants]

[Training and Technical Assistance Grants]

[Appraisal Foundation Grants]

Grants Resources

Resources

Browse public records, statutory references, operating guidance and frequently asked questions about ASC's mission and work.

Meeting notices, Federal Register updates, and more.

View Updates ›

Reference Materials

Information on ASC's creation, policies and procedures

ASC Governance

Legislation that established ASC and its mission

Operating Guidance

Rules and policy statements

Frequently Asked Questions

Answers to questions about the National Registries, appraisal complaints, and more

Resources

Browse public records, statutory references, operating guidance and frequently asked questions about ASC's mission and work.

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Operating Guidance

Rules and policy statements

Frequently Asked Questions

Answers to questions about the National Registries, appraisal complaints, and more.

Appraisal Subcommittee Members
(Revised as of April 25, 2022)

Agency	Member	Alternate Member
CFPB	Zixta Martinez **(Chair)** Deputy Director Consumer Financial Protection Bureau 1700 G Street NW Washington, DC 20552 (All communications should go through John Schroeder, Alternate CFPB Member. See contact information to the right.)	John Schroeder Regional Director – Midwest Region Supervision, Enforcement and Fair Lending Consumer Financial Protection Bureau 230 S. Dearborn Street, Suite 1590 Chicago, IL 60604 O: 312-610-8948 C: 202-591-5938 Email: John.Schroeder@cfpb.gov
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