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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: August 15, 2018

RE: August 29, 2018 ASC Meeting Package

For the August 29th ASC Meeting, the following items are included in your meeting package. If you have any questions, please contact Lori at lori@asc.gov.

OPEN SESSION

- Agenda for ASC Open Session Meeting
- Reports
 - Chairman's Report (oral report)
 - Executive Director's Report (report attached)
 - Delegated State Compliance Review Report (oral report)
 - Financial Manager's Report (oral report)
 - Notation Votes (oral report)
- April 23rd, May 9th and June 8th ASC Open Session Meeting Minutes

(If you would like a Word version of the Minutes for editing, please let us know. Your edits can be submitted to Lori Schuster (Lori@asc.gov) by close of business, August 27th. A revised draft incorporating any edits received will be provided for the August 29th Meeting.)

- Appraisal Foundation FY19 Grant Proposal
- FY19 ASC Budget Proposal (including Appraisal Foundation and State grants)
- FY19-23 ASC Strategic Plan Proposal

GRANT REIMBURSEMENTS

- January-April 2018 Appraisal Foundation grant reimbursement requests reviewed and approved by ASC staff. These will be addressed in Financial Manager's oral report.

FYI - INFORMATIONAL ITEMS

- FY17 Appraisal Foundation Agreed Upon Procedures Review
- Letter from the American Guild of Appraisers – Marijuana cultivation appraisal guidelines in Bank of America engagement letter for residential appraisals
- Email from Dave Derry, Chair of Alaska Board of Certified Real Estate Appraisers, thanking the ASC for approving Alaska's one-year extension of the Implementation Period
- State Program Status Report through August 13, 2018
- Compliance Review Reports: Arkansas, Connecticut, Georgia, Louisiana, Missouri, Nevada, Texas
- Yearly and monthly appraiser credential totals through August 14, 2018
- Revised ASC Delegations of Authority
- Approved minutes of the February 14, 2018 ASC Open Session Meeting

Briefing

- Agenda for the August 29, 2018 ASC Briefing

Open Session Cover Page

August 29, 2018



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Appraisal Subcommittee
Federal Financial Institutions Examination Council

Agenda

Date: August 29, 2018
Time: 10:00 a.m.
Location: FRB, International Square
1850 K Street NW Rooms K-7035/7039
Washington, DC 20006
Metro Stop: Farragut West - 18th Street Exit

Open Session

Reports

- | | |
|--------------------------------------|---------------|
| • Chairman | A. Lindo |
| • Executive Director | J. Park |
| • Delegated State Compliance Reviews | A. Bohorfoush |
| • Financial Report | G. Hull |
| • Notation Votes | L. Schuster |

Action and Discussion Items

- | | |
|---|-------------------|
| • Open Session Minutes | A. Lindo |
| ○ April 23, 2018 | |
| ○ May 9, 2018 | |
| ○ June 8, 2018 | |
| • Appraisal Foundation FY19 Grant Proposal | D. Bunton/J. Park |
| ○ Foundation Grant for AQB and ASB | |
| ○ State Grant for State Investigator Training | |
| • FY19 ASC Budget Proposal | J. Park/G.Hull |
| • FY19-23 ASC Strategic Plan | J. Park |

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Appraisal Subcommittee
Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee
FROM: Jim Park, Executive Director
DATE: August 15, 2018
RE: Executive Director's Report

Appraisal Subcommittee Meetings and Briefings

The next ASC Meeting will be held at 10:00 a.m. August 29, 2018, at the Federal Reserve Board facilities, International Square, 1850 K Street NW, 4th Floor, Washington, DC. There will be an Open Session. A Briefing is scheduled to follow the Meeting.

National Registry of AMCs (AMC Registry)

The National AMC Registry was opened July 16. ASC staff created and posted a Webinar and Tutorial for State users. The Webinar is a general overview of AMC Registration and Supervision and the Tutorial walks users through the Extranet Application States will use to manage their AMCs on the Registry. Both can be found under the What's New section of the ASC website. Participating States have until June 4, 2020, to add AMCs to the Registry.

States' Status on Implementation of AMC Programs

At this point, all States are participating in the registration and supervision of AMCs, with the exception of Puerto Rico, Guam, U.S. Virgin Islands and CNMI. Twenty-six States have been granted a 12-month extension to the Implementation Period, thereby extending it until August 10, 2019.

Temporary Waivers of Appraiser Qualification Requirements

On August 1, the Governor of North Dakota, North Dakota Department of Financial Institutions and North Dakota Bankers Association submitted a Temporary Waiver Request for the entire State. An ASC Briefing was held on August 14th to discuss the request.

2017 ASC Annual Report

The Annual Report, which is required to be submitted to Congress no later than June 15 of each year, was completed and delivered on June 11.

ASC Office Relocation

We are in the final stages of preparing to move to remote duty locations. A contract has been signed with Carr Properties for 10 hours of monthly office space for staff's use and other agency business. The new ASC address will be 1325 G St. NW, Suite 500, Washington, DC 20005. We will also be able to use multiple other Carr Property locations in the Washington DC metro area and around the country. The following is included in the lease:

- Use of office systems, including:
 - Secure mail delivery
 - ASC name on the building marquee
 - Copiers
 - High speed internet
 - Scanners
 - Fax machines
 - Administrative services

The U.S. Court of Federal Claims (CFC) has agreed to take our furniture (the furniture is owned by the federal government). Typically, when an agency moves its office(s), the furniture is excessed to the GSA with moving expenses incurred by the agency. As a result of the CFC taking the furniture, the ASC will save the associated moving expenses of approximately \$18,000.

All aspects of the move are coming together as planned. The ASC's occupancy of the 1410 H St. location will end September 30. The contract with Carr Properties starts September 1.

ASC Roundtable

A second Roundtable has been scheduled for November 5, 2018, at the OCC headquarter in downtown Washington, DC. Staff is working on the preliminary details and will be seeking the Board's input in the near future.

Appraisal Foundation Monitoring and Review

Appraisal Standards Board (ASB)

The ASB held a work session July 26-27 in Washington, DC. No public meeting was held. Denise Graves and Ada Bohorfooush monitored the meetings for the ASC. The work session focused on the comments received on the May 22 First Exposure Draft of proposed changes for the 2020-21 edition of the *Uniform Standards of Professional Appraisal Practice*. A second exposure draft is anticipated within the next several weeks.

Appraiser Qualifications Board (AQB)

The AQB last met on May 3-4 in Seattle, WA. Denise Graves and I attended the work session and several ASC staff attended the public meeting. The meetings occurred immediately preceding the

Spring AARO Conference and was attended by over 100 State regulators. The AQB focused on the Practical Applications of Real Estate Appraisal (PAREA) concept the AQB has been discussing for over three years. As a result of the difficulty in finding qualified appraiser supervisors, the AQB is exploring options to train appraisers electronically. This concept appears to have merit and has been well received by many stakeholders including federal legislators. However, we are growing concerned about the length of time it is taking for the AQB to reach a consensus on how to develop and implement such a program. During their most recent conference call, it was clear they are still in the very early development stage and full implementation is still several years away. As far back as 2010 and again in 2015, ASC staff expressed our concerns to the AQB about the lack of trainees and our concerns regarding the difficulty in obtaining experience.¹

Appraisal Foundation Board of Trustees (BOT)

Denise Graves and I attended May 17-19 BOT meetings in Cleveland, OH. The Foundation reported that their financial status has improved significantly over the past several years. The financial improvement is a result of reducing expenses and increasing the cost of their core products, USPAP and USPAP education.²

National Registry of Appraisers Upgrades

There are 42 States now using the Unique Identification Number (UID) software. Eight States are now using the SOAP system and four more are in development.

Other Meetings and Presentations

- June 26 FFIEC Meeting, Washington, DC
 - Alice Ritter and I updated the Council on State Extension requests and sought the Council's approval for the extensions received at the time. The Council approved those requests and delegated approval authority of any further requests to the FFIEC Chairman. Since that time, three more requests have been received and approved bringing the total to 26 States.
- July 18 National Association of Realtors Appraisal Summit, Washington, DC
 - The ASC was invited to attend this annual meeting. Ada Bohorfoush represented the ASC. The meeting focused on GSE valuation initiatives and the current real estate landscape.
- July 30-31 CoreLogic Conference, Dana Point, CA
 - I attended this conference which focused on innovations in real estate data, valuation, mortgage lending and economic forecasts.

¹ See attached - 2010 ASC staff testimony to the AQB and 2015 AQB Concept Paper staff comments

² See attached - May 18, 2018 Appraisal Foundation Finance Report

Public Hearing on Future Real Property Appraiser Qualification Criteria
June 25, 2010
Minneapolis, MN.

Appraisal Subcommittee Staff Comments

First, I would like to thank the Appraisal Qualifications Board (AQB) and the Appraisal Foundation for hosting this important public hearing on the future of the Real Property Appraiser Qualification Criteria (Criteria). Secondly, thanks to both for inviting the Appraisal Subcommittee (ASC) staff to make comments. It is important to make clear that the following comments are those of the ASC staff and do not reflect positions or opinions of the ASC or its member Agencies.

For those who may not be aware of the ASC's role in the appraisal regulatory system, I would like to take a moment to briefly explain our role. Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) created an appraisal regulatory system consisting of three main participants: the States, the Appraisal Foundation, and the ASC. The ASC's mission has four main components: (1) monitor the States for compliance with Title XI, the Real Property Appraiser Qualification Criteria, and ASC Policy Statements; (2) monitor the requirements established by the Federal financial institutions regulatory agencies; (3) maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions; and (4) monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation. With regard to monitoring the States, the ASC staff conducts regular reviews of the State's appraiser regulatory programs for compliance with the mandates of Title XI.

Title XI also authorized the ASC to provide financial support through federal grants to the Appraisal Foundation to defray costs incurred by the Appraisal Standards Board (ASB) and AQB in carrying out their Title XI-related activities. In monitoring the activities of the Appraisal Foundation and its boards, the ASC staff regularly attends the Foundation, AQB, and ASB meetings and engages a public accounting firm to perform a financial audit to confirm that federal grant funds to the Foundation are used for Title-XI activities as specified in the grant request.

With regard to the AQB's authority under Title XI to issue minimum qualification criteria for certified appraisers, Title XI only provided specifics on one criteria that a certified appraiser had to pass a "suitable examination" consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the AQB. To accompany this examination requirement, the AQB also developed and issued qualification criteria for certified appraisers that included requirements for education, experience, and continuing education.

In February 2001, the AQB began a process of research and discovery to review the qualification criteria established after the enactment of Title XI. That process ultimately led to significant changes to the Criteria that became effective January 1, 2008. The new Criteria included numerous changes designed to elevate minimum appraiser qualifications to reflect the progress in the appraisal profession since 1989 as well as the contemporary needs of users of appraisal services, regulators, and consumers. Revisions such as increasing the education requirements for appraisers, and the introduction of the uniform national examination(s), appear to have been

successful in promoting the goal of elevating the level of demonstrable qualifications. However, some of the Criteria could benefit from further clarification to ensure consistency in their application by the State regulatory authorities. One example: when applying for a certified residential or general appraiser credential, the applicant must have an associate or bachelors degree, or in the alternative, the applicant must have successfully completed a set of core curricula. This “in lieu of” provision can be difficult, time consuming, and costly for the States to administer due to the fact that a title of a college course may not adequately define the content of the course. As an example, one of the subject matter courses acceptable under the AQB Criteria is “Finance.” However, there are many different genres of finance classes. While some are appropriate for appraiser education, others are not. During our Compliance Reviews we have come across finance courses that focus on teaching students skills such as how to balance a check book or create a family budget rather than skills relating to appraiser education such as how to develop a discounted cash flow analysis. The lack of specificity as to course content required by the Criteria does not provide adequate guidance, and causes the States and appraiser applicants to arrive at varying interpretations. This leads to potential inconsistency in the administration of the Criteria by the States, and poses a difficult challenge to the ASC in its oversight capacity of the States.

As the AQB begins its research and deliberation on whether or not appraiser qualifications need to be altered and/or amended, ASC staff believes focus should be on ensuring the current Criteria are effective, clear and enforceable. If provisions within the Criteria are ambiguous, varying interpretations by appraisers, as well as State and Federal regulators, render the Criteria difficult to enforce.

While ASC staff supports the AQB's focus over the past ten years on raising the bar for entry to the profession, we urge consideration of the fact that there has been a significant decline in appraiser population. Various States have indicated that the number of trainees has declined anywhere from 40%-70%. One of the difficult hurdles to entering the profession is the gaining of experience, which may be due to the fact that there is limited incentive for appraisers to train individuals who wish to enter the appraisal profession. This has led to a significant barrier to entry that likely was not intended. Therefore, as the AQB reviews the Criteria and considers additional qualifications, we urge consideration of ways by which the Criteria could establish means to encourage entry into the profession while maintaining the appropriate rigor in the minimum qualifications.

We appreciate the opportunity to share these comments from the ASC staff.

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

October 1, 2015

Mr. Wayne R. Miller, Chair
Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street NW, Suite 1111
Washington, DC 20005

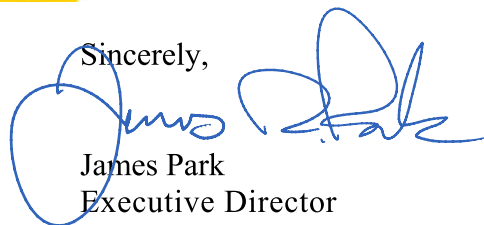
Re: Concept Paper Regarding Alternative Experience Requirements

Dear Mr. Miller:

ASC staff appreciates the opportunity to submit comments on the Concept Paper – Alternative Track to the Experience Requirements in the *Real Property Appraiser Qualification Criteria* (Criteria). These comments include opinions of the ASC staff that do not necessarily represent the views or opinions of the ASC or its member agencies.

Over the years the AQB has standardized the *National Uniform Licensing and Certification Examinations*, and has substantially increased the minimum education requirements with the 2015 Criteria. However, the experience component of the Criteria continues to pose a significant barrier to entry to the appraisal profession. We noted this in our June 25, 2010 comment letter to the AQB.¹ Since 2010, the number of credentials on the National Registry has declined another 10% and concerns are growing over an existing or impending shortage of appraisers. A significant shortage of appraisers could create an unacceptable disruption to the financial marketplace and negatively impact consumers. While we understand there are a number of outside factors contributing to these concerns, the Criteria is a critical piece of the puzzle and potentially part of a solution. Therefore, we support the AQB exploring alternative experience models for obtaining an appraiser credential.

Sincerely,



James Park
Executive Director

¹ “While ASC staff supports the AQB’s focus over the past ten years on raising the bar for entry to the profession, we urge consideration of the fact that there has been a significant decline in appraiser population. Various States have indicated that the number of trainees has declined anywhere from 40%-70%. One of the difficult hurdles to entering the profession is the gaining of experience, which may be due to the fact that there is limited incentive for appraisers to train individuals who wish to enter the appraisal profession. This has led to a significant barrier to entry that likely was not intended. Therefore, as the AQB reviews the Criteria and considers additional qualifications, we urge consideration of ways by which the Criteria could establish means to encourage entry into the profession while maintaining the appropriate rigor in the minimum qualifications.”

AGENDA

**The Appraisal Foundation Board of Trustees
Finance Committee
Cleveland, OH
Friday, May 18, 2018**

Committee Members:

Dick Edmunds, Chair
Jeremy Gray, Vice Chair
Jeff Dickstein
Ronny Johnson
Dayton Nordin
Robert Taylor

Staff:

David Bunton, President
Kelly Davids, Vice President
Edna Nkemngu, Director of Finance & Administration

1. Call to Order

2. Review Committee Goals

- Ensure that the Foundation has adequate resources to maintain its independence.
- Closely monitor adherence to the Foundation's budget.
- Ensure that funds are deposited into the Foundation reserve account, if feasible.
- Monitor performance of TAF investment firm, Merrill Lynch.

3. Approval of Minutes from previous meetings of the Committee

- Finance Committee Meeting, November 3, 2017
- Finance Committee Conference Call, April 20, 2018

4. Briefing on the results of the 2017 Audit

5. Report on the Current Financial Condition of the Foundation

- Review of March 2018 Financial Statements
- Accounting Standards Updates

6. New Business

7. Old Business

8. Closed Session

- Telephone Conference with Merrill Lynch Investment Advisors

9. Adjournment

1 Finance Committee Meeting
2 Embassy Suites by Hilton
3 Scottsdale, Arizona
4 November 3, 2017
5 9:00a.m.
6

7 **Members Present**

8 Ronny Johnson, Chair
9 Dick Edmunds
10 Lisa Hobart
11 Adam Johnston
12 Mark Levine
13 Dayton Nordin
14

15 **Staff Present**

16 David Bunton, President
17 John Brennan, Director of Research and Appraisal Issues
18 Arika Cole, Board and Councils Program Manager
19 Kelly Davids, Vice President
20 Mavis Kleso, Publications Director
21 Edna Nkemngu, Director of Finance & Administration
22

23 **Observers**

24 Elliott Adler, TAF Legal Counsel
25 Tom Boyer, Chair, Board of Trustees, Chair
26 Michelle Bradley, ASB Candidate
27 Mike Evans, Board of Trustees
28 Denise Graves, Appraisal Subcommittee
29 Jeremy Gray, Board of Trustees
30 Greg Harding, AQB Candidate
31 David Layne, Board of Trustees
32 Robert Luciani, NAIFA
33 Susan Martins-Phipps, Board of Trustees
34 Roy Morris, Past Board of Trustees
35 Jim Park, Appraisal Subcommittee
36 John Russell, Board of Trustees
37 Steve Spangle, Board of Trustees
38 Brian Stockman, ASFMRA
39 Bradley Swinney, AQB Candidate
40 William Rodda, IAAO
41 Ron Worth, IAAO
42

43
44 1. Call to meeting to order

45 Chair Johnson called the meeting to order at 9:00 a.m.

46

47 **2. Minutes**

48

49 Motion by Levine, seconded by Nordin: To approve the May 19th Meeting Minutes

50

51 Motion carried.

52

53 **Motion** by Levine, seconded by Edmunds: To approve the September 11 and October 11
54 Conference Call Minutes

55

56 Motion carried.

57

58 **3. Report of the Current Condition of the Foundation**

59

60 Johnson reported that the Finance Committee had been reviewing the investment policy of the
61 Foundation and will be presenting revisions for approval by the Board of Trustees tomorrow.

62

63 Nkemngu reported that the 2017 August Financial Statements are in the packet and the
64 Foundation is reporting a net loss. The month preceding the USPAP release usually shows a drop
65 in sales but picks up when the new version is available. She stated that the Foundation has not
66 had to move money from the short-term investment account. She stated that the accounts
67 receivable is low but it is tied mainly to bulk sales which are typically low during this period. The
68 Foundation grants receivable is high, as a result of the reimbursement request for the July
69 Investigator Training course as well as June's receivable. The prepaid expenses are consistent for
70 this time of the year.

71

72 Nkemngu reviewed the revenue section and discussed the ASC grant; a portion of the grant is to
73 help offset the ASB and AQB costs and the other is for investigator training. She reported that
74 the sponsorship and IAC fees are all paid to date. She stated that the Foundation has a gain of
75 200k in securities. The expenses of both the AQB and ASB are under budget as of August 31. The
76 APB's budget is down because of the suspension of its activities.

77

78 Bunton reported that all expenses are below budget and the Foundation's revenue is higher at
79 this time.

80

81 Johnson stated that he is pleased that the Foundation is doing well in an off year.

82

83 **4. Discussion on Draft 2018 Budget**

84

85 Nkemngu reported that the ASC has approved 660k for the AQB, ASB and Investigator Training
86 programs. She stated that the Foundation has restructured the pricing of licensing fees and
87 publications. She reviewed the expense section and expects it to be similar to 2016 with the
88 decrease in printing and consulting expenses, less development costs, and a reduction in the

89 amount usually contributed to the IVSC. She stated that in 2018, there will be an increase in
90 travel and a joint IAC and TAFAC meeting, however, costs will be expected to be lower than TAF
91 incurred in 2016. She stated that the Foundation would like to replenish the long-term reserves
92 to 1.2 million to reflect previous withdrawals.

93

94 **Motion** by Levine, seconded by Hobart: To submit the proposed budget to the BOT for
95 approval

96

97 Motion carried.

98

99 **5. New Business**

100

101 There was no new business.

102

103 **6. Old Business.**

104

105 There was no old business.

106

107 The Finance Committee went into Executive Session.

108

109 **Motion** by Nordin, seconded by Hobart: To adjourn Executive Session

110

111 Motion carried.

112

113 **Motion** by Levine, seconded by Edmunds: To adjourn the Finance Meeting at 9:55a.m.

114

115 Motion carried.

**The Appraisal Foundation Board of Trustees
Finance Committee
Friday, April 20, 2018
Conference Call**

Committee Members:

Dick Edmunds, Chair
Jeff Dickstein
Jeremy Gray
Ronny Johnson
Dayton Nordin
Robert Taylor
Adam Johnston, BOT Chair

Staff:

David Bunton, President
Kelly Davids, Vice President
Edna Nkemngu, Director of Finance & Administration
Arika Cole, Boards and Councils Program Manager

Observers:

Elliott Adler, Legal Counsel
Denise Graves, ASC
Adam Johnston, BOT Chair

1. Call to Order & Welcome

Chair Edmunds called the meeting to order at 10:00am.

The Committee provided a brief introduction of their background and experience.

2. Review Committee Goals

Edmunds reviewed the Committee Goals:

- Ensure that the Foundation has adequate resources to maintain its independence.
- Closely monitor adherence to the Foundation's budget.
- Ensure that funds are deposited into the Foundation reserve account, if feasible.
- Monitor performance of TAF investment firm, Merrill Lynch.

3. Discussion of Long Term Investment Goals

Edmunds reported that from 2015, the Foundation experienced a deficit which included a \$250,000 investment loss, \$350,000 loss with the Alliance for Valuation Education, and the publication income was not met. However, the Foundation has made a turnaround for the better, and he stated that he would like the Committee to recommend to the Board of Trustees the transfer of \$1.2 million from the short-term investment account to the long-term investment account.

Nkemngu reported that the goal of the long-term account is to have a year's worth of operating expenses, which is about \$4.1 million. Currently there is \$3.4 million in long-term account and \$2 million in short-term account.

Bunton reported that the increase in the price of the licensing fees has generated up to \$700,000. He stated that the investment managers indicated that there is 6% return on 8 million, which would be \$400,000. He stated that he is confident that the Board will not need to transfer funds from the long-term account to the short-term account this year.

Nkemngu stated that it should be a consensus of the Committee to decide on how much to transfer and to make a recommendation to the full Board for approval. If approved, she will make an immediate transfer of funds to restore the long-term reserves to the previous level.

Motion by Taylor, seconded by Johnson: That the Board of Trustees approve the transfer of \$1.2 million into the long-term investment account

Motion approved.

Edmunds reported that the Committee will discuss the financial statements and budget at the May meeting.

Nkemngu indicated that she will contact Merrill Lynch to inform them of proposed transfer to ensure they are able to update the Committee on any new investment strategies at the May meeting.

4. New Business

Bunton reported that the ASB is proposing a few changes to USPAP that will require three exposure drafts. The Foundation reduced their number of meetings to two in 2018. He stated that they may request to have their budget increased in order to accommodate a one-day work session in mid-2018.

Adler discussed the Finance Committee's activities in a public session. While the Committee can present the financial statements and budget of the Foundation, he suggests the long-term investment transfer, the amount and the conversation with Merrill Lynch should be conducted in Executive Session.

5. Adjournment

Motion by Nordin, seconded by Taylor: To adjourn the meeting at 10:40am

Motion carried.

OVERVIEW OF FINANCIAL STATEMENTS
03/31/2018

CATEGORY	AMOUNT @ 03/31/2018			EXPLANATION/NOTES
Page 1 – Statement of Financial Position	\$			
Operating Reserves	618,329			Represents cash held in interest bearing checking accounts. Taking into consideration our cash flow, the goal is to limit this to about 2 months' worth of operating expenses, after which I make transfers to the Merrill Lynch Short Term account.
Short-Term Reserves	2,005,446			This is held in cash and money market accounts at Merrill Lynch. We make transfers back and forth from this account to our checking account as needed. It is temporarily high, pending a decision by the Board to replenish our long term reserves.
Long-Term Reserves	3,437,943			Board Restricted line item not to be used for general operating expenses without Board approval.
Accounts Receivable	80,259			Includes publication sales to government agencies and sponsors. These are generally the only sales that are billed after shipment.
Grants Receivable	103,745			Includes monthly reimbursement requests for the first 3 months of 2018.
Prepaid Expenses	110,212			Prepaid postage, insurance, travel expenses, and rent.
Publication Inventory	78,476			Publications on hand. Outdated versions are considered obsolete and are not included in inventory.
Property and Equipment, Net of Depreciation	88,873			Furniture is depreciated straight-line over 5 years, Equipment over 3 years and Leasehold Improvements over the term of the lease.
Deposits	73,817			Lease deposit and hotel deposits for future meetings.
Accounts Payable and accrued expenses	622,485			Current amounts due to vendors, accrued pensions, accrued vacation and salary expenses, deferred rent.
Total Net Assets	5,974,614			Comprised of \$4,952,695 Net Income from prior years and \$1,021,919 year to date 2018.

OVERVIEW OF FINANCIAL STATEMENTS
03/31/2018

Page 2 – Statement of Activities: Revenue	AMOUNT @ 03/31/2018	BUDGET AMOUNT	% of BUDGET	EXPLANATION/NOTES
	\$			
Grants	83,765	660,000	13%	We have two operating grants: one that partially offsets the expenses of the ASB, AQB and the National Exam, and one that pays for the Investigator Training.
Sponsorship Fees	95,463	96,774	99%	Almost all Sponsor dues had been received through the end of March.
IAC Fees	55,000	90,000	61%	This reflects all payments that had been made through 3/31/2018. We have since received the majority of the outstanding payments.
Total Publications Revenue (see page 7)	1,687,263	4,447,611	38%	It is customary for us to receive a significant percentage of our total budgeted publication revenue during the first quarter of a new USPAP cycle.
Instructor Cert/Recertification Program (see page 8)	41,465	44,276	94%	The Instructor Certification class was held in March. The recertification process began in October 2017 and continued into the first quarter of 2018.
Course Approval Program Fees	30,281	150,850	20%	Revenue and expenses are running about the same. It is difficult to estimate how many courses will be submitted for review in a given year, but we budget based on previous years' receipts.
Gain (Loss) on Valuation of Securities	(42,196)	0	0	This is the year-to-date loss on the valuation of securities held with Merrill Lynch. This is an unbudgeted item.
Interest Income	8,690	96,263	9%	Interest earned on cash and short term reserves. This is net of Merrill Lynch advisory fees which are taken from interest on the short term investment account.

OVERVIEW OF FINANCIAL STATEMENTS
03/31/2018

Page 2 – Statement of Activities: Expenses	AMOUNT @ 03/31/2018	BUDGET AMOUNT	% of BUDGET	EXPLANATION/NOTES
	\$			
Appraiser Qualifications Board	99,821	474,451	21%	No budget issues or concerns. This figure includes expenses for the first of 3 planned AQB public meetings.
Appraisal Standards Board	47,483	279,363	17%	No ASB meetings were held during this period. These expenses consist mostly of ongoing salaries and Board consulting which are tracking consistent with the budget.
Board of Trustees	147,796	865,903	17%	No budget issues or concerns at this time. BOT is running under budget but the first quarter travel reflects only the Executive Committee meeting – no full board meetings.
Publications and Instructor Education	186,169	451,847	41%	Expenses are consistent with revenue.
Investigator Training	2,802	281,238	1%	There are three classes planned for 2018 – June, July and August.
General and Administrative Expenses	460,333	1,787,572	26%	G & A is tracking to budget.



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal

Standards and Appraiser Qualifications

FINANCIAL STATEMENTS

March 31, 2018

Unaudited

THE APPRAISAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
March 31, 2018
UNAUDITED

	2018	2017
ASSETS		
CURRENT ASSETS:		
OPERATING RESERVES	618,329	850,373
SHORT-TERM RESERVES	2,005,446	601,341
LONG-TERM RESERVES	3,437,943	3,240,708
ACCOUNTS RECEIVABLE	80,259	39,930
GRANTS RECEIVABLE	103,745	163,997
PREPAID EXPENSES	110,212	101,535
PUBLICATIONS INVENTORY	78,476	54,520
TOTAL CURRENT ASSETS	6,434,409	5,052,403
PROPERTY AND EQUIPMENT:		
FURNITURE & EQUIPMENT	304,456	304,456
LEASEHOLD IMPROVEMENTS	24,846	24,846
LESS ACCUMULATED DEPRECIATION	(240,430)	(160,870)
PROPERTY AND EQUIPMENT, NET	88,873	168,433
OTHER ASSETS:		
DEPOSITS	73,817	27,439
TOTAL ASSETS	6,597,099	5,248,274
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
ACCOUNTS PAYABLE & ACCRUED EXPENSES	567,254	411,911
DEFERRED LIABILITY	55,230	362,841
TOTAL CURRENT LIABILITIES	622,485	774,752
NET ASSETS:		
UNRESTRICTED	4,952,695	4,305,274
NET INCOME	1,021,919	168,248
TOTAL NET ASSETS	5,974,614	4,473,522
TOTAL LIABILITIES AND NET ASSETS	6,597,099	5,248,274

THE APPRAISAL FOUNDATION
STATEMENT OF ACTIVITIES
For the Period Ended March 31, 2018
UNAUDITED

	CURRENT	ANNUAL	ACTUAL	LAST YR	
	YTD	BUDGET	AS % OF	LAST YEAR	AS % OF
			BUDGET	YTD	BUDGET
REVENUE:					
GRANTS (INCLUDES EXAM GRANT)	83,765	660,000	13%	81,911	12%
SPONSORSHIP FEES	95,463	96,774	99%	95,583	99%
INDUSTRY ADVISORY COUNCIL FEES	55,000	90,000	61%	66,249	74%
USPAP SALES	1,199,346	3,248,886	37%	428,125	13%
MISCELLANEOUS PUBLICATIONS	6,674	15,275	44%	19,866	130%
POSTAGE REIMBURSEMENTS	48,180	90,000	54%	16,470	18%
USPAP COURSES	433,063	1,093,450	40%	134,549	12%
INSTRUCTOR CERTIFICATION PROGRAM	41,465	44,276	94%	0	0%
COURSE APPROVAL PROGRAM FEES	30,281	150,850	20%	23,488	16%
APPRAISAL ISSUES TASK FORCE	16,250	0	0%	10,500	0%
GAIN (LOSS) ON SECURITIES	(42,196)	0	0%	103,201	0%
INTEREST (NET OF ADVISOR FEES)	8,690	96,263	9%	5,240	5%
MISCELLANEOUS INCOME	(268)	0	0%	200	0%
TOTAL REVENUE	1,975,713	5,585,774	35%	985,381	
EXPENSES:					
PROGRAM SERVICES					
APPRAISER QUALIFICATIONS BOARD	99,821	474,451	21%	66,938	14%
APPRAISAL STANDARDS BOARD	47,483	279,363	17%	69,180	25%
APPRAISAL PRACTICES BOARD	0	0	0%	21,532	0%
BOARD OF TRUSTEES	147,796	865,903	17%	147,061	17%
PUBLICATIONS & INSTRUCTOR EDUC	186,169	451,847	41%	107,474	24%
INVESTIGATOR TRAINING	2,802	281,238	1%	4,913	2%
SPECIAL PROJECTS	9,375	0	0%	7,199	0%
TOTAL PROGRAM SERVICES	493,445	2,352,802	21%	424,297	
GENERAL AND ADMINISTRATIVE	460,333	1,787,572	26%	392,836	22%
TOTAL EXPENSES	953,778	4,140,374	23%	817,133	
EXCESS OF REVENUE OVER EXPENSES	1,021,935	1,445,400		168,248	
NET ASSETS, BEGINNING OF YEAR	4,952,695			4,305,274	
NET ASSETS, END OF PERIOD	5,974,630	1,445,400		4,473,522	

THE APPRAISAL FOUNDATION
APPRAISER QUALIFICATIONS BOARD
CONSOLIDATED EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	34,837	131,796	26%	32,834	25%
OFFICE SUPPLIES AND EXPENSES	0	3,000	0%	3,530	118%
POSTAGE, DELIVERY & FULFILLMENT	0	500	0%	0	0%
PRINTING	128	10,000	1%	463	5%
CONSULTING	41,756	173,375	24%	27,069	16%
TRAVEL/MEETING EXPENSE	22,302	94,280	24%	631	1%
LEGAL	0	9,000	0%	2,070	23%
DUES, SUBSCRIPTIONS, REGISTRATIONS	445	0	0%	0	0%
SUBCONTRACTOR	0	50,000	0%	0	0%
CREDIT CARD DISCOUNT FEES	353	2,500	14%	342	14%
TOTAL EXPENSES	99,821	474,451	21%	66,938	14%

THE APPRAISAL FOUNDATION
APPRAISAL STANDARDS BOARD
CONSOLIDATED EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
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TOTAL EXPENSES:

SALARIES	28,704	120,643	24%	35,507	29%
OFFICE SUPPLIES AND EXPENSES	0	500	0%	0	0%
POSTAGE, DELIVERY & FULFILLMENT	0	1,000	0%	262	26%
PRINTING	0	1,500	0%	210	14%
CONSULTING	12,319	86,000	14%	14,031	16%
TRAVEL/MEETING EXPENSE	6,460	65,220	10%	19,169	29%
LEGAL	0	4,500	0%	0	0%
TOTAL EXPENSES	47,483	279,363	17%	69,180	25%

THE APPRAISAL FOUNDATION
APPRAISAL PRACTICE BOARD
CONSOLIDATED EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT	ANNUAL	ACTUAL	LAST YEAR	LAST YR
	YTD	BUDGET	AS % OF	YTD	AS % OF
			BUDGET		BUDGET
TOTAL EXPENSES:					
SALARIES	0	0	0%	9,545	0%
CONSULTING	0	0	0%	2,688	0%
TRAVEL/MEETING EXPENSE	0	0	0%	7,430	0%
TOTAL EXPENSES	0	0	0%	21,532	0%

THE APPRAISAL FOUNDATION
BOARD OF TRUSTEES
CONSOLIDATED EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
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TOTAL EXPENSES:

SALARIES	96,896	404,753	24%	99,927	25%
OFFICE SUPPLIES AND EXPENSES	25	4,450	1%	0	0%
POSTAGE, DELIVERY & FULFILLMENT	1,142	3,350	34%	706	21%
PRINTING	3,994	21,850	18%	4,396	20%
CONSULTING	0	34,000	0%	648	2%
TRAVEL/MEETING EXPENSE	37,251	371,000	10%	37,130	10%
LEGAL	6,793	26,000	26%	4,254	16%
DUES, SUBSCRIPTIONS, REGISTRATIONS	0	500	0%	0	0%
TOTAL EXPENSES	147,796	865,903	17%	147,061	17%

THE APPRAISAL FOUNDATION
PUBLICATIONS AND MARKETING
REVENUE AND EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT	ANNUAL	ACTUAL	LAST YR	
	YTD	BUDGET	AS % OF	LAST YEAR	AS % OF
			BUDGET	YTD	BUDGET
REVENUE:					
USPAP SALES AND LICENSE FEES	1,199,346	3,248,886	37%	428,125	13%
NATIONAL USPAP COURSE - 15 HR	30,465	164,440	19%	32,162	20%
NATIONAL USPAP COURSE - 7 HR	391,937	902,726	43%	97,973	11%
EVALUATING A REPORT FOR COMPLIANCE	225	1,067	21%	324	30%
RESIDENTIAL REVIEW	4,264	10,123	42%	3,796	37%
INTRO TO TERMS & CONCEPTS	125	342	37%	0	0%
REMEDIAL EDUCATION COURSES	6,048	14,752	41%	295	2%
WEBINARS	468	0	0%	0	0%
YELLOW BOOK	6,206	15,275	41%	19,866	130%
POSTAGE REIMBURSEMENTS	48,180	90,000	54%	16,470	18%
TOTAL REVENUE	1,687,263	4,447,611	38%	599,010	13%
EXPENSES:					
SALARIES	10,880	69,291	16%	28,422	41%
OFFICE SUPPLIES AND EXPENSES	16	86	19%	0	0%
POSTAGE, DELIVERY & FULFILLMENT	72,366	180,000	40%	33,199	18%
PRINTING	42,521	89,576	47%	26,983	30%
CONSULTING	469	15,000	3%	7,170	48%
LEGAL	0	0	0%	336	0%
DUES/REGISTRATION	0	200	0%	0	0%
CREDIT CARD DISCOUNT FEES	21,969	50,000	44%	9,790	20%
TOTAL EXPENSES	148,220	404,153	37%	105,901	26%
EXCESS OF REVENUE OVER EXPENSES	1,539,043	4,043,458	38%	493,109	12%

THE APPRAISAL FOUNDATION
INSTRUCTOR CERT COURSES
REVENUE AND EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
PROGRAM REVENUE	41,465	44,276	94%	0	0%
TOTAL REVENUE	41,465	44,276	94%	0	0%
EXPENSES:					
SALARIES	11,065	14,615	76%	891	6%
OFFICE SUPPLIES AND EXPENSES	68	1,679	4%	127	8%
POSTAGE, DELIVERY & FULFILLMENT	1,193	1,400	85%	0	0%
PRINTING	3,145	3,000	105%	0	0%
CONSULTING	11,524	13,000	89%	556	4%
TRAVEL/MEETING EXPENSE	10,971	11,000	100%	0	0%
LEGAL	0	3,000	0%	0	0%
TOTAL EXPENSES	37,965	47,694	80%	1,574	3%
EXCESS OF REVENUE OVER EXPENSES	3,500	(3,418)	-102%	(1,574)	46%

THE APPRAISAL FOUNDATION
INVESTIGATOR TRAINING
DEPARTMENT DETAIL
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT	ANNUAL	ACTUAL	LAST YEAR	LAST YR
	YTD	BUDGET	AS % OF	YTD	AS % OF
			BUDGET		BUDGET

GOVERNMENT REIMBURSABLE EXPENSES:

SALARIES	2,802	24,801	11%	4,663	19%
POSTAGE & DELIVERY	0	1,682	0%	0	0%
PRINTING	0	12,750	0%	0	0%
CONSULTING	0	28,000	0%	250	1%
TRAVEL & MEETING EXPENSE	0	214,005	0%	0	0%
TOTAL REIMBURSABLE EXPENSES	2,802	281,238	1%	4,913	2%

UNREIMBURSABLE EXPENSES:

TOTAL EXPENSES	2,802	281,238	1%	4,913	2%
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THE APPRAISAL FOUNDATION
APPRAISAL ISSUES TASK FORCE
REVENUE AND EXPENSE SUMMARY
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
PROGRAM REVENUE	16,250	0	0%	10,500	0%
TOTAL REVENUE	16,250	0	0	10,500	0
EXPENSES:					
TRAVEL/MEETING EXPENSE	9,375	0	0%	7,199	0%
TOTAL EXPENSES	9,375	0	0%	7,199	0%
EXCESS OF REVENUE OVER EXPENSES	6,875	0	0%	3,301	0%

The Appraisal Foundation
GENERAL AND ADMINISTRATIVE EXPENSES
For the Period Ended March 31, 2018

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
TOTAL EXPENSES:					
SALARIES	176,909	736,472	24%	149,466	20%
DEFERRED COMPENSATION	0	60,000	0%	0	0%
FRINGE BENEFITS	70,345	260,000	27%	80,782	31%
PAYROLL TAXES	25,338	110,000	23%	25,635	23%
RENT	58,591	255,000	23%	64,532	25%
OFFICE SUPPLIES & EXPENSES	3,612	20,000	18%	3,094	15%
TELEPHONE/COMPUTER SYSTEM	29,424	70,200	42%	20,646	29%
POSTAGE & DELIVERY	775	6,200	12%	712	11%
PRINTING	727	1,500	48%	313	21%
EQUIPMENT RENTAL	1,521	9,000	17%	2,217	25%
EQUIPMENT REPAIRS AND MAINTENANCE	491	7,200	7%	201	3%
CONSULTING	24,313	5,000	486%	5,529	111%
TRAVEL/MEETING EXPENSE	5,640	20,000	28%	40	0%
INSURANCE	8,403	40,000	21%	9,371	23%
LEGAL	0	1,000	0%	0	0%
DUES, SUBSCRIPTIONS, REGISTRATIONS	6,440	30,000	21%	6,073	20%
ACCOUNTING/AUDIT FEES	2,915	36,000	8%	4,324	12%
DEPRECIATION	19,890	95,000	21%	19,890	21%
CONTRIBUTIONS TO IVSC	25,000	25,000	100%	0	0%
MISCELLANEOUS	0	0	0%	11	0%
TOTAL EXPENSES	460,333	1,787,572	26%	392,836	22%

THE APPRAISAL FOUNDATION

TOTAL EXPENSES

For the Period Ending March 31, 2018

UNAUDITED

	CURRENT	ANNUAL	ACTUAL	LAST YEAR	LAST YR
	YTD	BUDGET	AS % OF	YTD	AS % OF
			BUDGET		BUDGET
TOTAL EXPENSES:					
SALARIES	362,091	1,502,371	24%	361,255	24%
DEFERRED COMPENSATION	0	60,000	0%	0	0%
FRINGE BENEFITS	70,345	260,000	27%	80,782	31%
PAYROLL TAXES	25,338	110,000	23%	25,635	23%
RENT	58,591	255,000	23%	64,532	25%
OFFICE SUPPLIES & EXPENSES	3,721	29,715	13%	6,750	23%
TELEPHONE/COMPUTER SYSTEM	29,424	70,200	42%	20,646	29%
POSTAGE & DELIVERY	75,475	194,132	39%	35,359	18%
PRINTING	50,515	140,176	36%	32,364	23%
EQUIPMENT RENTAL	3,216	9,000	36%	3,606	40%
EQUIPMENT REPAIR & MAINTENANCE	491	7,200	7%	201	3%
CONSULTING	90,381	354,375	26%	57,941	16%
TRAVEL/MEETING EXPENSE	91,999	775,505	12%	71,599	9%
INSURANCE	8,403	40,000	21%	9,371	23%
LEGAL	6,793	43,500	16%	6,660	15%
DUES, SUBSCRIPTIONS, REGISTRATIONS	6,885	30,700	22%	6,073	20%
ACCOUNTING/AUDIT FEES	2,915	36,000	8%	4,324	12%
SUBCONTRACTOR	0	50,000	0%	0	0%
CREDIT CARD DISCOUNT FEES	22,322	52,500	43%	10,132	19%
DEPRECIATION	19,890	95,000	21%	19,890	21%
CONTRIBUTIONS TO IVSC	25,000	25,000	100%	0	0%
MISCELLANEOUS	0	0	0%	11	0%
TOTAL EXPENSES	953,794	4,140,374	23%	817,133	20%

GLOBAL INSTITUTIONAL CONSULTING

The Appraisal Foundation

Performance Review

April 30, 2018 Update

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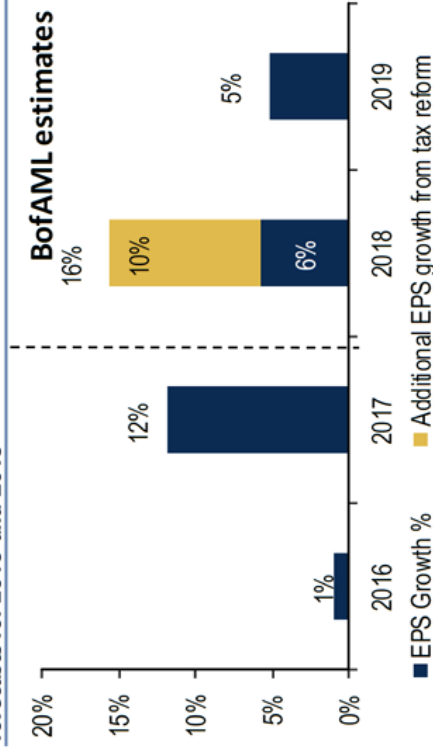


Market Overview and Current Outlook

The Push/Pull of Economic Growth and Fed Tightening

- We believe that volatility will continue as a tug of war is being played between strong economic growth and Fed Policy (rising interest rates).
- Economic growth is accelerating globally. We are forecasting 2.9% GDP growth in the US with +16% US corporate earnings growth in the US, fueled by tax reform and synchronized double digit corporate profit growth globally.
- The Fed has a delicate balancing act in front of it, committed to reducing balance sheets and raising short term rates to ensure moderate inflation without choking off economic growth.
- Historically, the market has generated solid returns during Fed tightening cycles, with average annualized S&P 500 returns of 17% and positive returns 100% of the time since 1987. While average returns have also been strong after the last rate hike (+10%), the market was down double-digits over the subsequent 12 months following two of the past five hiking cycles.

Chart 16: S&P 500 annual EPS growth, 2016-2017 and BofAML forecasts for 2018 and 2019



Note: 2017 earnings growth is with 99% of S&P 500 companies reported, assumes 21% corp. tax rate + repatriation + minimal impact from interest deductibility/foreign taxation
 Source: Russell, BofA Merrill Lynch US Equity & US Quant Strategy

Table 5: S&P 500 annualized returns around tightening cycles

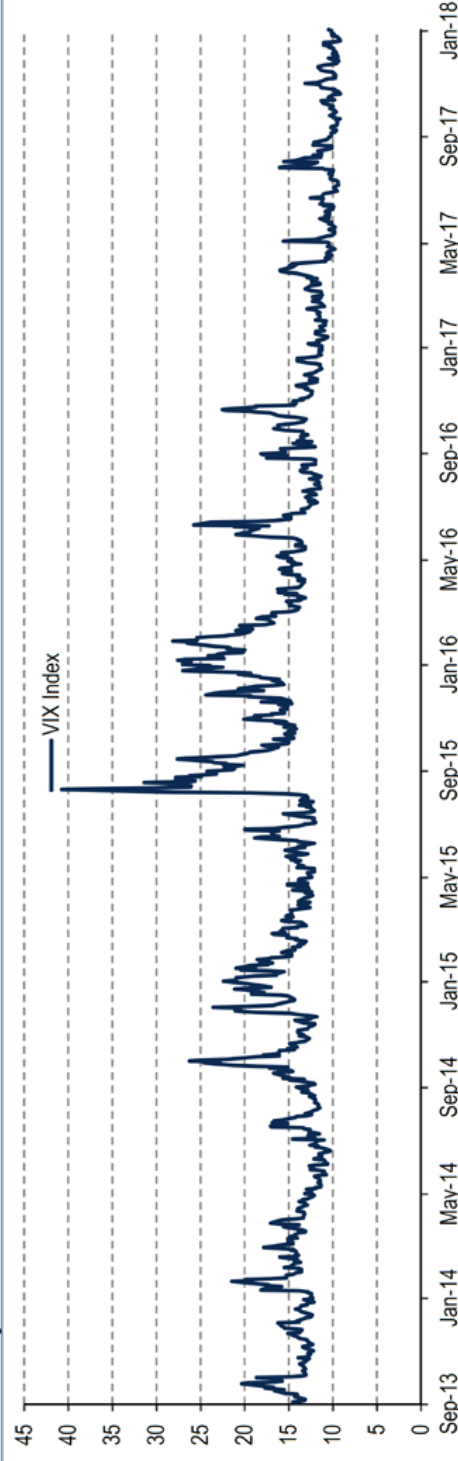
	12 months prior	12 months from start	Throughout	Last 12 months	12 months after last hike
Jan-87-Sep-87	24%	6%	43%	40%	-12%
Mar-88-May-89	-8%	18%	25%	29%	15%
Feb-94-Feb-95	7%	5%	3%	1%	39%
Jun-99-May-00	23%	7%	9%	11%	-11%
Jun-04-Jun-06	19%	6%	8%	8%	20%
Dec-15-?	7%	11%	NA	NA	NA
Average	12%	9%	17%	18%	10%
Positive %	83%	100%	100%	100%	60%

Source: BofAML US Equity & Quant Strategy, S&P, Federal Reserve Board

Market Risks We Highlighted at Year-End 2017

- Volatility was significantly lower than normal during 2017. We expect more volatility in 2018 as the central bank liquidity spigot reverses course after years of Quantitative Easing (QE).
- Potential risks include the following:
 - A larger-than-expected rise in inflation;
 - Unanticipated central bank policy changes (faster Fed rate hikes, ECB ending QE earlier);
 - Geopolitical risks;
 - Slowdown of growth in China;
 - Programmatic or algorithms which were flashing green and buy signals throughout 2017 adjusting to a cautionary or sell signal;
 - Restrictions on foreign trade.

Chart 34: Volatility index

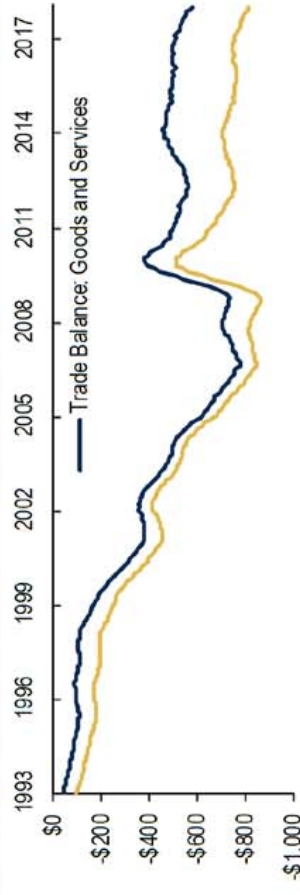


Source: BofA Merrill Lynch Global Research, Bloomberg

Trade Tension Causing Market Volatility

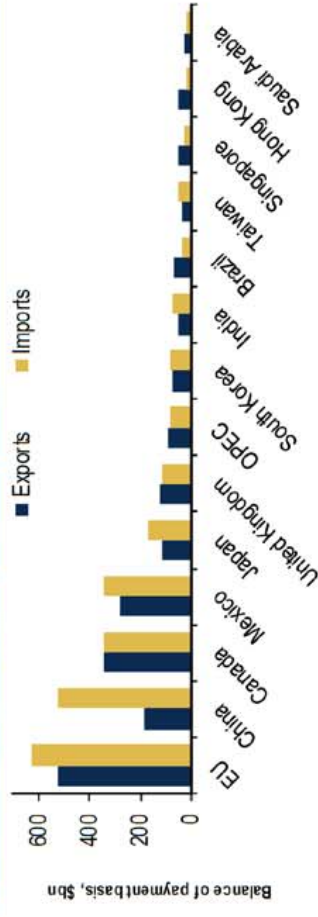
- Trade tariff disputes are developing at an accelerating pace, and investors are concerned.
- One of the goals of the administration’s trade advisors is to eliminate the deficit, both overall and on a bilateral basis. They believe that resulting job and wage gains more than make up for any increase in the price of tradeable goods. Many market participants disagree with the approach.
- Factors that will likely influence the degree of protectionist push include the upcoming US midterm elections and the signs that tariffs are hurting the economic outlook. The stock market’s reaction could also be a factor.

Chart 25: US trade balance (\$bn, 12-month moving total)



Source: Census Bureau

Chart 26: US trading activity by region/country (2017)



Source: Census data, BofAML US Equity & Quant Strategy

Bear Market signposts – 13 of 19 (68%) Triggered So Far

- We have compiled a list of bear market signposts that generally have occurred ahead of bear markets; the more signposts triggered, the greater the risk of an imminent bear market.
- In the last seven bear markets it took an average of two years for the market to peak once 68% of signposts were reached.

Table 6: BofAML bear market signposts

Indicator	Category	Current value	Trigger	Triggered (1/26/18) since	Hit rate % ^a	Notes	Type of trigger ¹
Fed raising rates	Credit	125bp	>75bp	<input checked="" type="checkbox"/>	100%	Bear markets have always been preceded by the Fed hiking rates by at least 75bp	Stays on
Tightening credit conditions	Credit	-10.0%	>1%	<input type="checkbox"/>	100%	Each of the last three bear markets has started when a net positive % of banks were tightening C&I lending standards	Resets
Trailing S&P 500 12m returns	Returns	18%	>11%	<input checked="" type="checkbox"/>	92%	Minimum returns in the last 12m of a bull market have been 1%	Resets
Trailing S&P 500 24m returns	Returns	47%	>30%	<input checked="" type="checkbox"/>	92%	Minimum returns in the last 24m of a bull market have been 30%	Resets
Low quality outperforms high quality (last 6m)	Returns ^b	-3ppt	>0ppt	<input type="checkbox"/>	100%	Companies with S&P Quality ratings of B- or lower outperform stocks rated B- or higher	Resets
Momentum outperforming (6m/12m)	Returns ^b	+4ppt/+5ppt	>0ppt	<input checked="" type="checkbox"/>	100%	9m price return (top/decile) vs. S&P 500 equalweight index	Resets
Growth outperforming (6m/12m)	Returns ^b	+5ppt/+6ppt	>0ppt	<input checked="" type="checkbox"/>	100%	Consensus projected long-term growth (top/decile) vs. S&P 500 equalweight index	Resets
5% pullback over prior 12m	Returns	1	>0	<input type="checkbox"/>	92%	In the preceding 12m of all but one (1961) bull market peak, the market has pulled back by 5%+ at least once	Resets
Low PE underperforms (6m/12m)	Returns ^b	+3ppt/-0ppt	<0ppt	<input type="checkbox"/>	100%	Forward 12m earnings yield (top/decile) vs. S&P 500 equalweight index	Resets
Conf Board consumer confidence	Sentiment	125	>100	<input checked="" type="checkbox"/>	100%	We have yet to see a bear market when the 100 level had not been breached within the last 24m	Resets
Conf Board net % expecting stocks higher	Sentiment	32	>20	<input checked="" type="checkbox"/>	100%	Similarly, we have yet to see a bear market when the 20 level had not been breached within the last 6m	Resets
Lack of reward to EPS & sales beats	Sentiment	-0.91ppt	<1ppt	<input checked="" type="checkbox"/>	100%	Companies beating on both EPS & sales outperformed by <1ppt within the last three quarters of the prior bull market	Resets
S&P 500 cash levels	Sentiment	56.9%	>62	<input type="checkbox"/>	100%	A contrarian measure of sell side equity optimism; sell signal triggered in the prior 6m	Resets
Inverted yield curve	Sentiment	4.7%	<3.5%	<input type="checkbox"/>	100%	A contrarian measure of buy side optimism	Resets
Chg in long-term growth expectations	Sentiment	78bp	<8bp	<input type="checkbox"/>	88%	Does not always lead or catch every peak; all but one inversion (1970) has coincided with a bear market within 24m	Stays on
Rule of 20	Valuation	+2.2ppt	+0.6ppt	<input checked="" type="checkbox"/>	100%	While not always a major change, aggregate growth expectations tend to rise within the last 18m of bull markets	Resets
VIX rises over prior 3m	Valuation	23	>20	<input checked="" type="checkbox"/>	100%	Trailing PE + CPI (y/y) >20 within the last 12m	Resets
ERR rule	Sentiment	37	>20	<input type="checkbox"/>	100%	Market peaks have come amid the VX >20 at some point within the last 3m	Resets
	Growth	Yes ^c	See footnote	<input checked="" type="checkbox"/>	100%	Based on 1- and 3-month earnings estimate revision trends; see footnote for more detail	Stays on

Source: BofAML US Equity & Quant Strategy, BofAML Global Investment Strategy, FRB, S&P, Conference Board, BLS, ^aBased on VXO 1986-1989, ^b% of bear markets where signal was triggered either before or during a bear market, ^cERR rule: Within six months' window 1) the 1m ERR is below 1.0 for two or more months, 2) the 1m ERR drops from 1.0+ to below 1.0 and, 3) the 3m ERR is under 1.10. ^dData that first became available during a bear market was not analyzed for that respective bear market. ^eIndicator either resets when the trigger criteria no longer holds or stays on for the duration of the bull market once triggered

Table 7: Percent of bear market signposts triggered at the market peak or during a bear market

Start of bear market	Available signals	% triggered at the market peak or during a bear market	% triggered at the market peak
Nov-68	5	100%	80%
Jan-73	6	100%	83%
Nov-80	6	100%	100%
Aug-87	13	92%	94%
Jul-90	17	100%	100%
Mar-00	17	100%	100%
Oct-07	19	100%	95%
Current	19	68%	68%

Source: BofAML US Equity & Quant Strategy



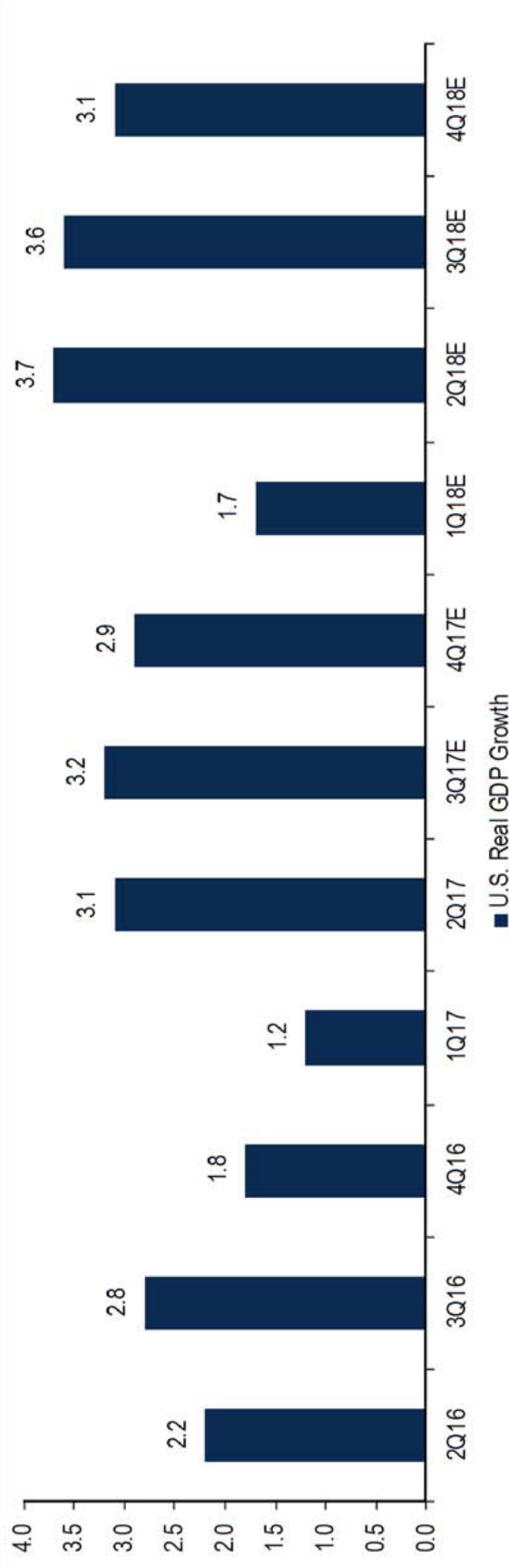
Despite the Pick-Up in Volatility, Our Economic Forecasts Remain Unchanged

- **Tax reform combined with strong business confidence should accelerate corporate spending.**
 - The corporate tax rate was cut to 21% from 35% and, for individuals, the top marginal rate was set at 37%, down from 39.6%. Our economists have revised their US GDP growth forecasts up and now expect 2.7% growth this year. They see the stimulative impact from the tax plan as frontloaded to the first two years and unwinding fairly quickly thereafter.
- **Equities: Valuations remain modestly elevated but should be supported by our forecasted 16% earnings growth in the S&P 500.**
 - Our US Equity Strategy team raised its S&P 500 2018 earnings per share (EPS) forecast by \$14 to \$153 (+10%), but does not expect tax reform to boost growth beyond 2018.
 - The big question for equity investors is whether this growth will trigger higher inflation and more hawkish central banks. A significant spike in inflation and interest rates could result in a re-rating of risk assets and result in the market trading at a lower valuation.
- **Bonds: Rates may inch higher from current levels but should not pose a major threat to our favorable outlook for equities to outperform bonds.**
 - Better growth and a pick-up in inflation, coupled with a wider budget deficit, should put moderate upward pressure on government bond yields. We expect the Fed to hike rates three times this year, with a risk of four hikes.
 - Tax reform is supportive of corporate bonds near term as the supply is likely to shrink this year, though spreads are unlikely to tighten further.

2.9% US GDP growth in 2018 and 2.4% in 2019

- Our US Economics team now believes that greater government spending will add incrementally more to US GDP, and now forecasts 2.9% growth in 2018 and 2.4% in 2019.
- The decline in the unemployment rate should trigger some modest inflationary pressures.
- Risks include a boom-bust cycle in the US given the fiscal stimulus at this stage in the economic cycle, a rise in trade protectionism, and a significant slowdown in China.

Chart 7: US GDP Growth Forecast

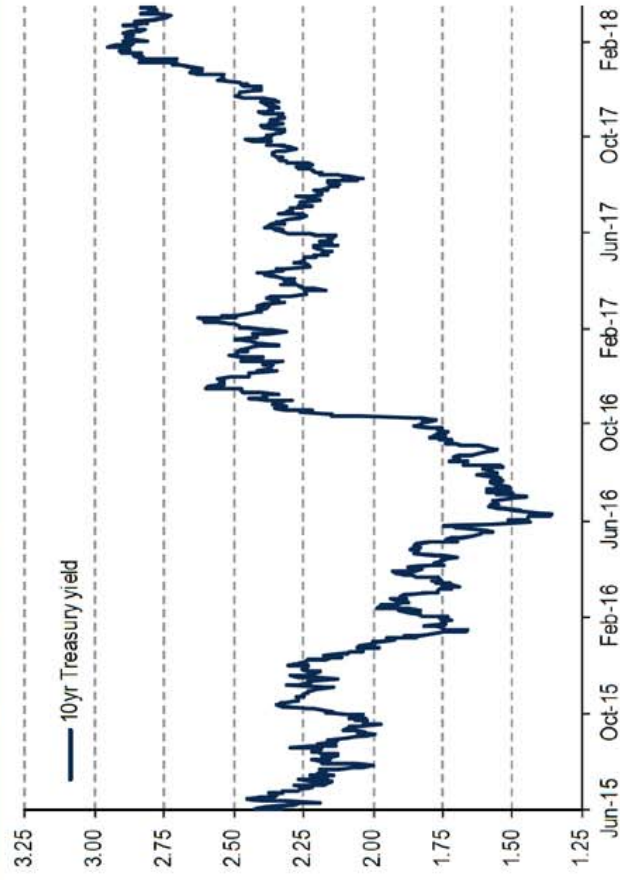


Source: BofA Merrill Lynch Global Research

10-Year Treasury has Stabilized Recently

- The 10-year Treasury has moved sharply higher since the beginning of the year, but has since stabilized. BofAML US Rates team forecasts a level of 3.25% by year-end 2018.
- The Fed's balance sheet normalization and large budget deficits should also be an upward influence on rates.

Chart 23: Treasury yields have risen sharply in 2018



Source: Federal Reserve; BofA Merrill Lynch Global Research

Table 7: BofA Merrill Lynch Global Research Rate Forecast

(% EOP)	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Fed Funds	1.00-1.25	1.00-1.25	1.25-1.50	1.50-1.75	1.75-2.00	2.00-2.25	2.00-2.25	2.25-2.50
Fed effective	1.06	1.16	1.33	1.63	1.88	2.13	2.13	2.38
3-Month T-Bill	1.01	1.03	1.38	1.70	1.95	2.20	2.25	2.50
3-Month LIBOR	1.30	1.30	1.69	2.16	2.39	2.58	2.62	2.87
2-Year T-Note	1.38	1.39	1.88	2.25	2.45	2.65	2.80	2.90
5-Year T-Note	1.89	1.94	2.21	2.70	2.85	3.05	3.15	3.20
10-Year T-Note	2.30	2.37	2.41	2.85	3.00	3.15	3.25	3.30
30-Year T-Bond	2.83	2.90	2.74	3.20	3.23	3.26	3.30	3.35

Source: BofA Merrill Lynch Global Research, Bloomberg

Performance and Allocation



All Appraisal Foundation Assets as of 4/30/2018

	As of Close of Business: 04/30/2018
Long-Term Assets	\$3,458,603
Short-Term Reserve*	\$2,007,737
TOTAL INVESTMENT/OPERATING ASSETS	\$5,466,340

Source: Merrill Lynch

*Includes Operating Account

Performance Summary as of 4/30/2018

	YTD	3 YEARS	5 YEARS	7 YEARS
Portfolio Return	-1.28%	4.71%	5.39%	5.81%
Benchmarks				
	Target Allocation			
S&P 500	30%	10.57%	12.96%	12.30%
Russell Mid Cap	6%	8.28%	11.77%	11.02%
Russell 2000	6%	9.64%	11.74%	10.12%
MSCI EAFE Index	16%	4.94%	5.90%	4.77%
MSCI Emerging Markets	6%	6.00%	4.74%	1.95%
Wilshire Real Estate	6%	3.90%	5.45%	7.75%
Barclays Govt/Corp	15%	1.11%	1.41%	2.84%
Barclays Aggregate	15%	1.07%	1.47%	2.63%

Portfolio returns from Merrill Lynch
Market Indices from Morningstar

Annual Returns	2011	2012	2013	2014	2015	2016	2017
Portfolio Return	2.30%	12.31%	12.91%	5.45%	-3.07%	9.61%	11.43%

DISCLOSURES:

This report is designed to assist you in the evaluation of certain securities in your portfolio. Please contact your Financial Advisor if you have any questions regarding the information contained in this report. Underlying performance data used in generating this report has been obtained from a third party market data provider and, although believed to be reliable, has not been independently verified and its accuracy or completeness cannot be guaranteed. No representation is made with respect to the accuracy, completeness or timeliness of this document. Some securities in your portfolio may not be included in this report due to lack of data availability. Please note that when this report provides performance comparisons to a market index, the market index performance does not reflect transaction costs or the deduction of fees. It is not possible to invest directly in an index. An investment in the securities comprising an index would require that an investor incur transaction costs and/or fees, with a consequent reduction in returns. Allocation models and indexes shown should not be used to benchmark the performance of a specific security. Your Financial Advisor can provide further information regarding the particular allocation models and indexes shown, including how the composition of an index compares to the individual investments and/or composition of your account or portfolio.

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Asset allocation and diversification do not assure a profit or protect against a loss in declining markets.

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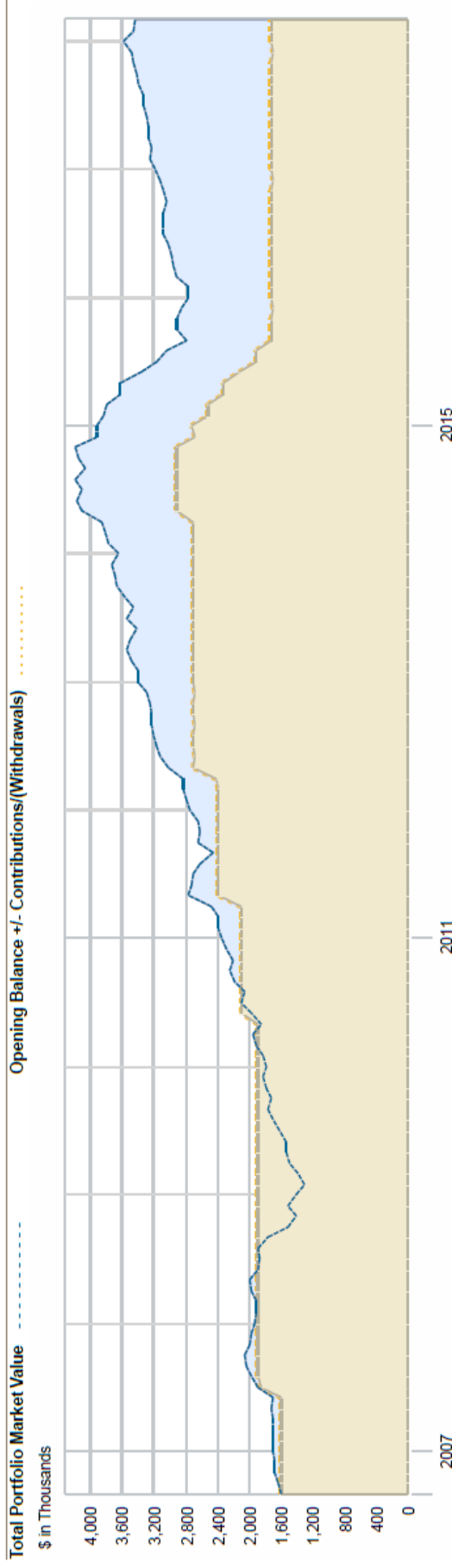
Target vs. Actual Allocation as of 4/30/2018

ASSET CLASS	TARGET ALLOCATION	TACTICAL ALLOCATION	DIFFERENCE	CURRENT INVESTMENTS
TOTAL EQUITIES	70.0%	73.8%	3.8%	\$2,553,039
US Large Cap	30.0%	30.3%	0.3%	\$1,048,838
Mid Cap	6.0%	7.8%	1.8%	\$269,426
Small Cap	6.0%	9.4%	3.4%	\$325,781
International Equity	16.0%	13.0%	-3.0%	\$451,253
Emerging Markets	6.0%	5.1%	-0.9%	\$174,805
REITs & Real Assets	6.0%	8.2%	2.2%	\$282,936
TOTAL CASH & FIXED INCOME	30.0%	26.2%	-3.8%	\$905,564
Core Fixed Income	20.0%	20.8%	0.8%	\$718,718
Non-Core Fixed Income	10.0%	5.4%	-4.6%	\$185,738
Cash & Equivalents	0.0%	0.0%	0.0%	\$1,108
TOTAL PORTFOLIO	100.0%	100.0%	10.0%	\$3,458,603

- The Foundation's asset allocation is in compliance with the Investment Policy Statement, except for REITs & Real Assets which are 0.2% over the maximum.

Annualized Trailing Performance as of 3/31/2018

Performance period: 10/01/2006 to 03/31/2018

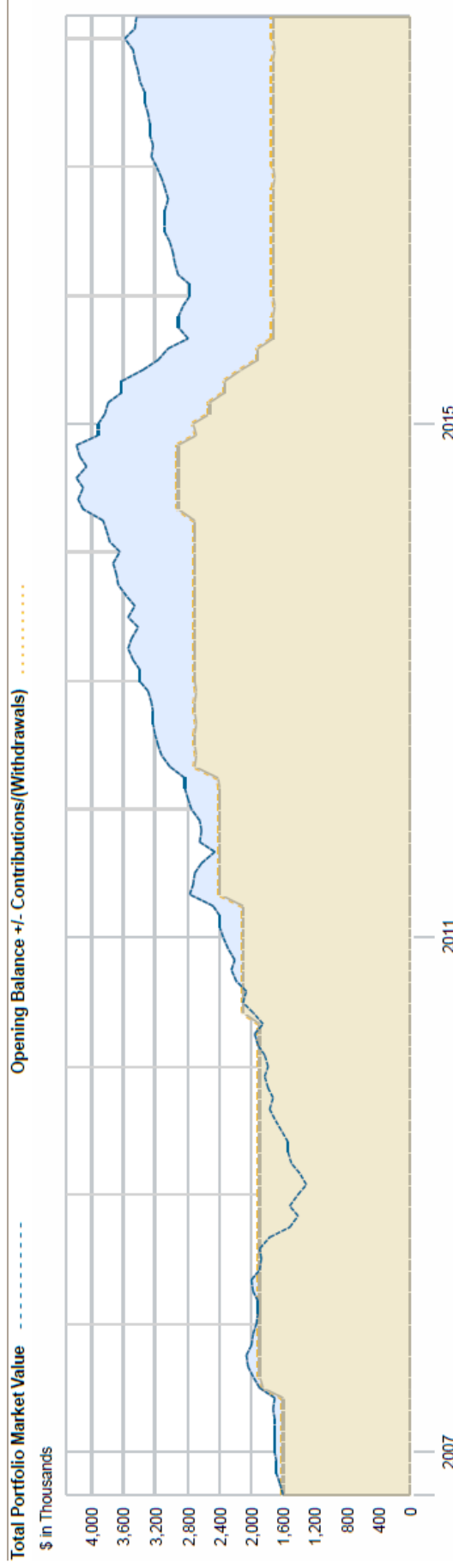


Categories	2011			2015			10 Years	Entire Period
	Prior 3 Months	YTD	1 Year	3 Years	5 Years	7 Years		
Opening Balance (\$)	3,473,608	3,473,608	3,240,701	3,801,505	3,475,243	2,397,134	1,903,634	1,595,033
Contributions/(Withdrawals) (\$)	29,862	29,862	5,273	(794,408)	(982,584)	(377,369)	(175,395)	123,541
Interest/Dividends (\$)	13,097	13,097	107,557	296,548	523,484	688,905	870,547	965,777
Appreciation/(Depreciation) (\$)	(78,623)	(78,623)	84,411	134,297	421,799	729,273	839,166	753,602
Closing Balance (\$)	3,437,942	3,437,942	3,437,942	3,437,942	3,437,942	3,437,942	3,437,942	3,437,942
Time Weighted Return (%)	(1.87)	(1.87)	5.91	4.68	5.63	6.21	5.64	5.01
Reference Indices (%)								
S&P 500 TR	(0.76)	(0.76)	13.99	10.78	13.31	12.71	9.49	8.39
Russell Midcap TR	(0.46)	(0.46)	12.20	8.01	12.09	11.51	10.21	9.05
Russell 2000 TR	(0.08)	(0.08)	11.79	8.39	11.47	10.39	9.84	8.18
MSCIEAFE TR Net	(1.53)	(1.53)	14.80	5.55	6.50	5.31	2.74	3.37
MSCI Emerging Markets TR Net	1.42	1.42	24.93	8.81	4.99	2.47	3.02	6.05
Wilshire Real Estate Securities	(7.43)	(7.43)	(3.44)	1.48	6.49	8.41	6.32	4.67
BBG Barclays US Government Credit TR	(1.58)	(1.58)	1.38	1.22	1.84	3.15	3.65	4.12
BBG Barclays US Aggregate Bond	(1.46)	(1.46)	1.20	1.20	1.82	2.92	3.63	4.06

Returns for periods longer than one year are annualized.

Annual Performance Summary as of 3/31/2018

Performance period: 10/01/2006 to 03/31/2018



Categories	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Entire Period
Opening Balance (\$)	1,504,359	1,818,406	2,293,459	2,636,917	3,291,047	3,729,660	3,930,593	2,852,201	3,132,281	3,473,608	1,595,033
Contributions/(Withdrawals) (\$)	(3,255)	198,582	298,665	300,548	11,929	(6,902)	(990,975)	4,185	(18,025)	29,862	123,541
Interest/Dividends (\$)	64,224	57,388	72,666	96,897	100,684	119,194	95,875	94,260	107,193	13,097	965,777
Appreciation/(Depreciation) (\$)	253,088	219,083	(27,874)	256,686	326,000	88,641	(183,291)	181,635	252,159	(78,623)	753,602
Closing Balance (\$)	1,818,406	2,293,459	2,636,917	3,291,047	3,729,660	3,930,593	2,852,201	3,132,281	3,473,608	3,437,942	3,437,942
Time Weighted Return (%)	21.28	13.83	2.30	12.31	12.91	5.45	(3.07)	9.61	11.43	(1.87)	75.52

Reference Indices (%)

S&P 500 TR	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96	21.83	(0.76)	152.49
Russell Midcap TR	40.48	25.48	(1.55)	17.28	34.76	13.22	(2.44)	13.80	18.52	(0.46)	170.69
Russell 2000 TR	27.17	26.85	(4.18)	16.35	38.82	4.89	(4.41)	21.31	14.65	(0.08)	146.92
MSCI EAFE TR Net	31.78	7.75	(12.14)	17.32	22.78	(4.90)	(0.81)	1.00	25.03	(1.53)	46.40
MSCI Emerging Markets TR Net	78.51	18.88	(18.42)	18.22	(2.60)	(2.19)	(14.92)	11.19	37.28	1.42	96.48
Wilshire Real Estate Securities	29.22	29.12	8.56	17.57	2.14	31.53	4.81	7.62	4.84	(7.43)	68.99
BBG Barclays US Government Credit TR	4.51	6.59	8.74	4.82	(2.35)	6.01	0.15	3.05	4.00	(1.58)	59.01

Long Term Fund Holdings as of 4/30/2018

Symbol	Manager	Objective	Current Balance	Target Allocation	Actual Weight	Actual Allocation
IWF	iShares Russell 1000 Growth	Large Cap Growth	\$416,066		12.03%	
IWD	iShares Russell 1000 Value	Large Cap Value	\$292,745		8.46%	
CHDVX	Cullen Dividend Growth	Large Cap Value	\$340,027		9.83%	
LARGE CAP				30.00%		30.33%
IWR	iShares Russell MidCap	Mid Cap	\$168,257		4.86%	
DON	WisdomTree MidCap Dividend	Mid Cap	\$101,169		2.93%	
MID CAP				6.00%		7.79%
IWN	iShares Russell 2000 Value	Small Cap	\$170,329		4.92%	
DES	WisdomTree Small Cap Dividend	Small Cap	\$155,452		4.49%	
SMALL CAP				6.00%		9.42%
PNRZX	Prudential Jennison Nat Resources	Nat Resources	\$66,155		1.91%	
PCRFX	PIMCO Commodity Real Return	Nat Resources	\$58,055		1.68%	
ICF	iShares Cohen & Steers Realty	REITs	\$158,726		4.59%	
REITS & NAT RESOURCES				6.00%		8.18%
TBGVX	Tweedy Browne Global Value	Emerging Markets	\$249,390		7.21%	
SGOIX	First Eagle	International Equity	\$201,863		5.84%	
INTL DEVELOPED MARKETS				16.00%		13.05%
ABEMX	Aberdeen Emg Mkts	Emerging Markets	\$174,805		5.05%	
INTL EMERGING MARKETS				6.00%		5.05%
TOTAL EQUITIES			\$2,553,039	70.00%		73.82%
EIBLX	Eaton Vance Floating Rate	FI Floating Rate	\$185,738		5.37%	
MWVTX	Met West Total Return Bond	FI Total Bond	\$337,476		9.76%	
LDLFX	Lord Abbett Short Duration	FI Low Duration	\$381,242		11.02%	
TOTAL FIXED INCOME			\$904,456	30.00%		26.15%
CASH			\$1,108	0.00%	0.03%	0.03%
TOTAL			\$3,458,603	100.00%	100.00%	100.00%

Managing Risk: Upside Downside Capture & Weighted Duration

	10 YR UP CAPTURE	10 YR DOWN CAPTURE	INDEX
Schafer Cullen High Div Value	76.2	76.7	Russell 1000 Value
First Eagle Overseas	66.0	50.7	MSCI EAFE
Tweedy Browne Global Value	69.6	52.4	MSCI EAFE
Aberdeen Emerging Markets	99.8	87.6	MSCI EM

Source: Morningstar

	Yield	Effective Duration	Weight	Wtd Yield	Wtd Duration
Eaton Vance Floating Rate	3.96%	0.20	5.37%	0.81%	0.04
Met West Total Return	2.62%	6.08	9.76%	0.98%	2.27
Lord Abbet Short Duration	2.78%	0.00	11.02%	1.17%	0.00
Total Fixed Income		2.31	26.15%	2.96%	2.31
Barclays Aggregate Bond				2.91%	5.90

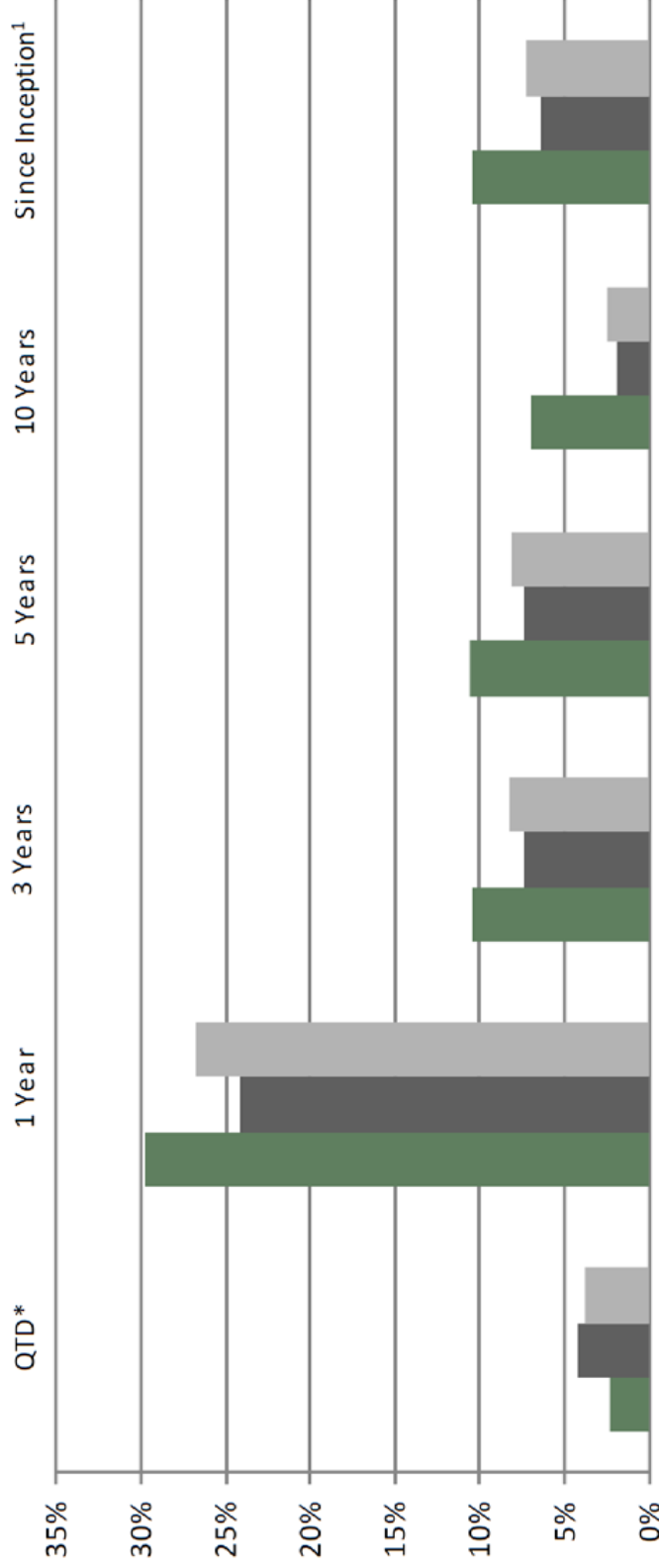
Source: Morningstar

Recommendations for Contributing \$1.2 million to the Portfolio

Given the size of the contribution, we will need to add to all asset classes:

- **On a relative basis, increase the allocation to Developed International Equity**
- Add Oakmark International to complement Tweedy Browne and First Eagle. Oakmark adds a little more upside capture to complement the more defensive Tweedy and First Eagle.
- **Increase Relative Allocation to Emerging Markets Equity with Aberdeen**
- **Decrease Relative Allocation to Real Assets**
- Move Prudential Jennison, PIMCO, and Cohen and Steers REIT to the Principal Diversified Real Asset Fund. Reduce the allocation to the 6% target.
- **Maintain the Underweight to Fixed Income**
- Add a third Core Bond Manager, Prudential Total Return, to complement the positions with Lord Abbett and MetWest.

Oakmark Historical Performance as of 12/31/17



Since

	QTD*	1 Year	3 Years	5 Years	10 Years	Since Inception ¹
Investor Class OAKIX	2.38%	29.75%	10.43%	10.50%	6.95%	10.40%
MSCI World ex U.S. Index	4.23%	24.21%	7.36%	7.46%	1.87%	6.35%
Lipper International Fund Index	3.79%	26.70%	8.33%	8.10%	2.50%	7.22%

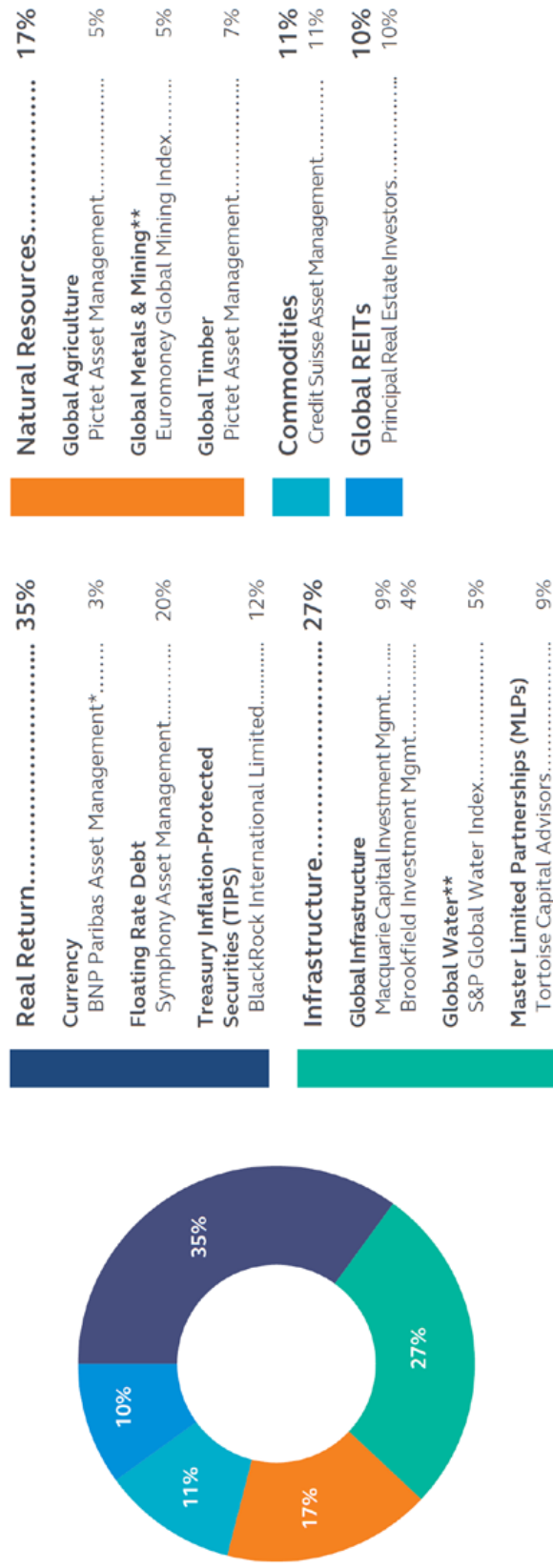
As of 09/30/16, the Oakmark International Fund's Investor Class net expense ratio was 1.00%

* Not annualized

¹ Inception Date: September 30, 1992

Principal Diversified Real Asset Fund

- Principal Diversified Real Asset Fund offers broad exposure to a basket of inflation-hedging strategies that are managed by strong sub-managers.
- Fees are 0.89% all-in for the fund inclusive of sub-manager fees.

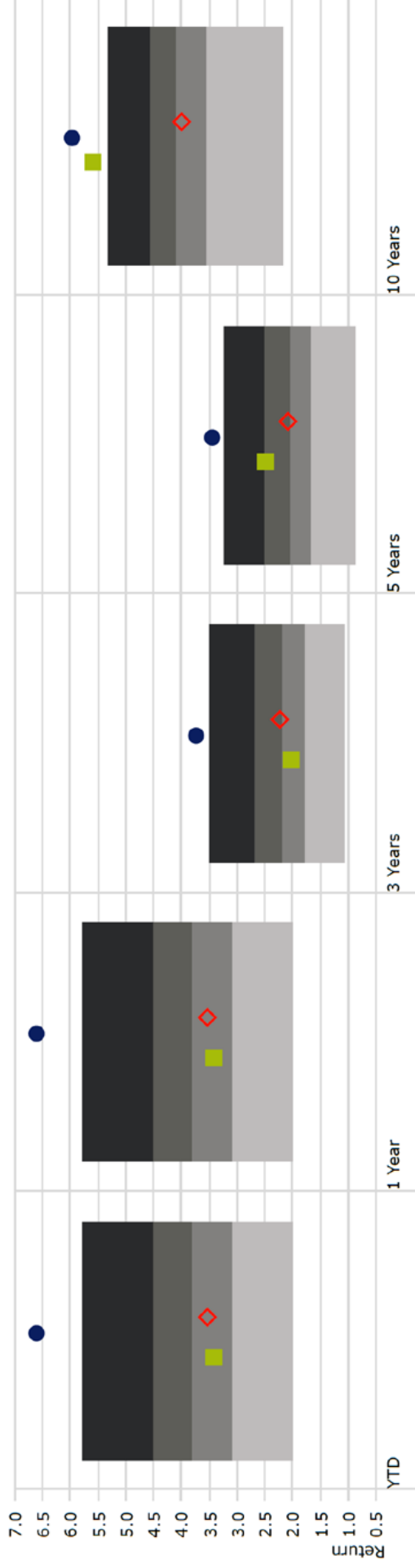


Prudential: Fixed Income Manager Analysis as of 12/31/17

Performance Relative to Peer Group

Peer Group (5-95%): Open End Funds - U.S. - Intermediate-Term Bond Calculation Benchmark: BBgBarc US Agg Bond TR USD

■ Top Quartile ■ 2nd Quartile ■ 3rd Quartile ■ Bottom Quartile



● Prudential Total Return Bond Z

■ Metropolitan West Total Return Bd I

◆ BBgBarc US Agg Bond TR USD

Trailing Returns

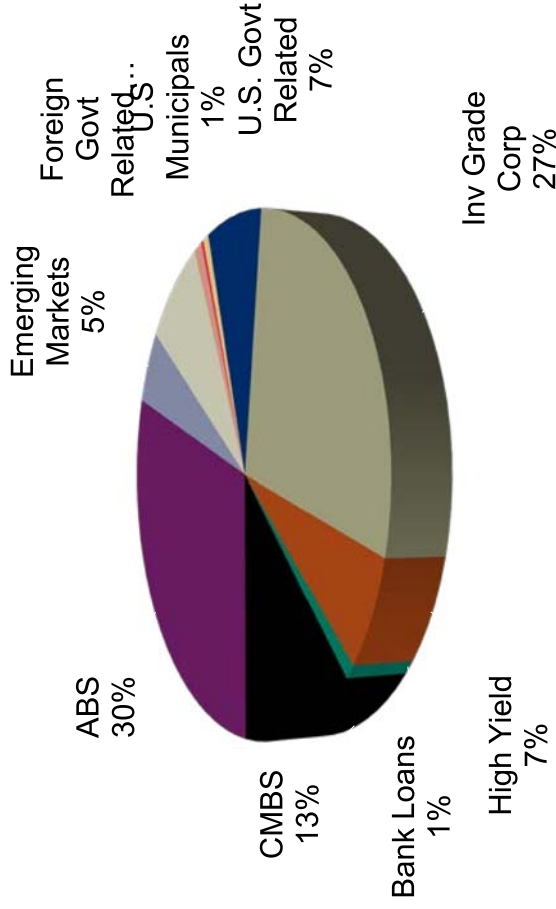
Data Point: Return Calculation Benchmark: BBgBarc US Agg Bond TR USD

	YTD	1 Year	3 Years	5 Years	10 Years
Prudential Total Return Bond Z	6.62	6.62	3.76	3.46	5.99
Metropolitan West Total Return Bd I	3.43	3.43	2.05	2.51	5.59
BBgBarc US Agg Bond TR USD	3.54	3.54	2.24	2.10	4.01

Prudential Total Return Bond Fund Portfolio Characteristics

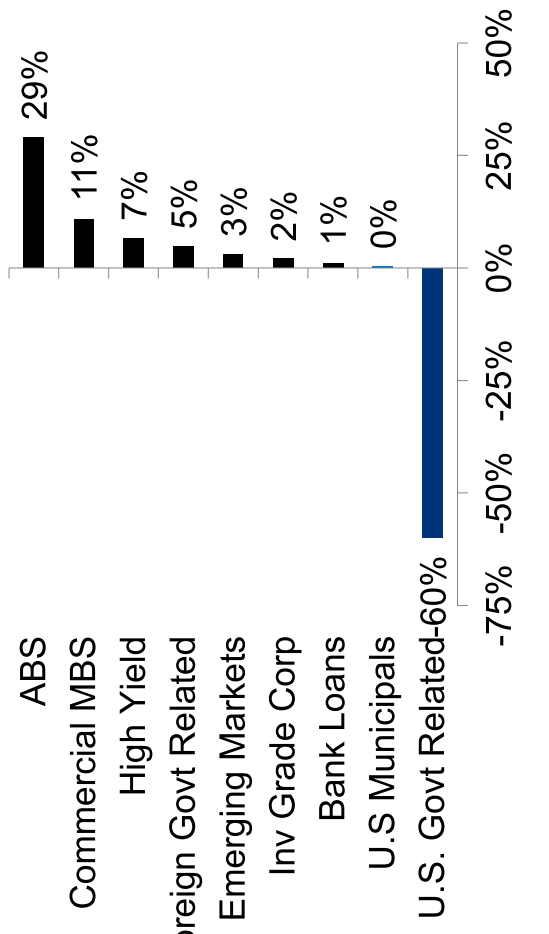
Sector Allocation

(% of assets as of 12/31/2017)



Largest Underweights / Overweights*

As of 12/31/2017



Allocations are subject change.

Portfolio Characteristics	Fund	Benchmark
Duration	6.46 yrs	5.89 yrs
Assets	30,184 million	--

Source: PGIM Fixed Income as of 12/31/2017. *Fund vs. Bloomberg Barclays US Aggregate Index percent overweight/underweight. Please see appendix for more important information. An investment cannot be made directly into an index.

GLOBAL INSTITUTIONAL CONSULTING

Appendix: Detailed Market Commentary

Chief Investment Office – Economic Outlook

UNITED STATES

- U.S. growth picked up to about 3 percent last spring which we expect to continue in 2018 despite some temporary winter weather disruptions. Stronger capital spending accounts for most of the rise in growth.
- U.S. consumers have tailwinds from decent wage growth, rising home prices, still-low interest rates and very positive labor market dynamics.
- We expect housing and business investment spending to be cyclical tailwinds for the overall economy, extending the cycle.
- Pro-business policies are helping: Tax cuts, tax reform, repatriation and regulatory relief should boost nominal growth.

EMPLOYMENT, INFLATION & INTEREST RATES

- Job growth remains steady and the current trend is sufficient to keep the unemployment rate at 4%, or lower, for the next year.
- Wage growth is moderate and suggests inflation is well anchored or picking up.
 - We expect the Fed to continue to gradually remove monetary accommodation through rate hikes and balance sheet tapering.

WATCH LIST

- ✓ U.S. Inflation
- ✓ U.S. Fiscal Policy
- ✓ Earnings
- ✓ China and Trade Policy
- ✓ Central Bank Meetings
- ✓ Brexit negotiations
- ✓ U.S. Trade Policy

DOLLAR & COMMODITIES

- In our view, the dollar is near fair value on a trade-weighted basis, but interest rate differentials are favorable. We expect an orderly depreciation of the dollar over the coming year.
- We expect WTI oil prices to remain in the \$60 to \$70 range in 2018.

GLOBAL

- The synchronized global growth upturn that began in 2016 continues.
- Purchasing Managers' Indexes show the global expansion is picking up. Capital spending plans are rising with global growth.
- Corporate profits are rising around the world as global growth improves.
- We expect real global GDP growth around 4% for 2018.

PROFITS

- We expect corporate profits should rise by high double-digit percentages throughout the year and reach record levels at year-end, driven by revenue increases from the healthy consumer and better capital expenditure growth as well as stock buyback flows.

Source: GWIM Investment Strategy Committee (ISC) as of April, 2018. Please refer to appendix for asset class proxies and index definitions.

2018 Outlook: The Next Great Odyssey

We see 2018 as a year of continued transition.

The progression from the prolonged period of secular stagnation and extraordinarily low interest rates to rising economic growth, enhanced by secular forces, and rising interest rates may generate episodes of concern, which could eventually set the stage for a new upcycle.

Our outlook of expected dynamics to drive the new upcycle can be seen through a 5 by 5 prism

Expected growth sources

Capital investment via repatriation

Millennial housing cycle

Emerging market middle-class consumers

Second wave of an innovation cycle

Global infrastructure redevelopment

New demographic & inflation dynamics expected to allow...

Central banks to normalize large balance sheets

Tapering of central bank bond-buying programs

A nudge higher in interest rates

Trillions of dollars to fade to positive rate structure

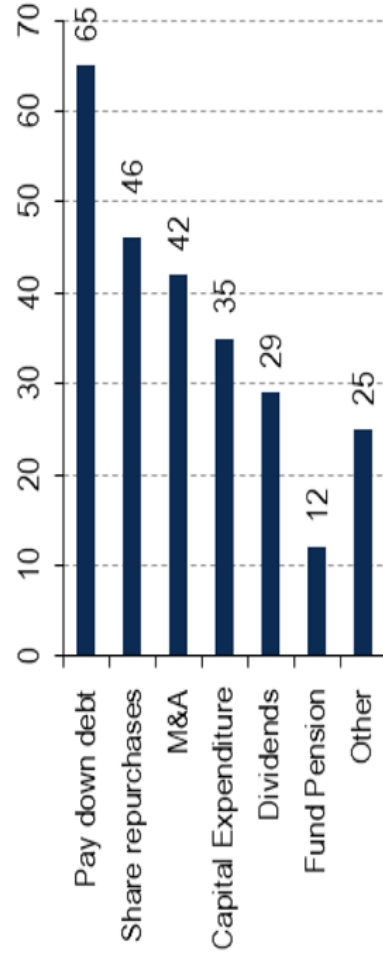
Debt servicing costs to remain at acceptable levels, as growth hovers at or above trend levels

Source: GWIM Investment Strategy Committee (GWIM ISC) as of December, 2017.

Will Companies Increase Capex?

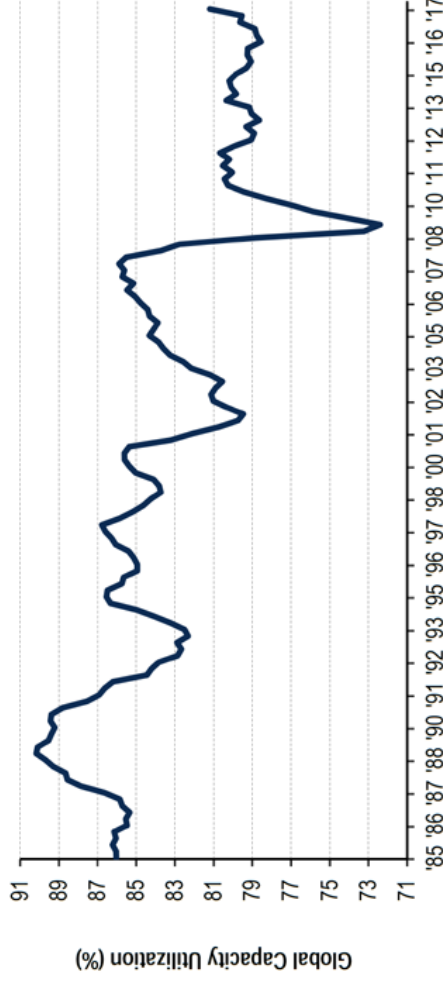
- Low tax rates, the favorable treatment of capex, and outsized repatriation proceeds could leave US companies flushed with cash this year. The question is how these companies will put this cash to use.
- Our US Equity Strategy team believes that capex will increase, but they do not expect a multi-year boom. Aside from capex, companies are likely to use this cash to pay down debt, increase employee compensation, and return cash to shareholders through buybacks.
- Our US Equity Strategy team's work suggests that historically, tax reform matters less for capex than growth, capacity, and access to capital. Bullish signs for capex, apart from tax reform include improving corporate capex guidance and the age of equipment, which is at a 50 plus-year high.
- The major risk to capex is continued excess capacity. Despite a pickup in global capacity utilization, today's levels are near prior cycle lows.

Chart 29: BofAML's 20th Risk Management survey indicates that companies will be more likely to pay down debt than any other use of proceeds.



Note: response from BofAML's 20th Risk Management Survey
Source: BofA Merrill Lynch Global Research

Chart 30: Global capacity utilization



Source: BofA Merrill Lynch US Equity & US Quant Strategy, First Call

Inflation Expected to Pick Up in 2018

- Our economists expect a rebound from 2017 as further tightening in the labor market leads to a gradual increase in inflation.
- CPI has generally been coming in higher during the last few months. Though it has strengthened some recently, core inflation has been sluggish despite the drop in the unemployment rate.
- Our economists now see core CPI inflation (ex food and energy) of 2.2% YoY in 2018 and 2.3% in 2019.
- Despite disappointing inflation for much of 2017, the Fed was able to hike rates multiple times and began reducing its balance sheet due to easy financial conditions.

Chart 20: Core inflation has been picking up lately

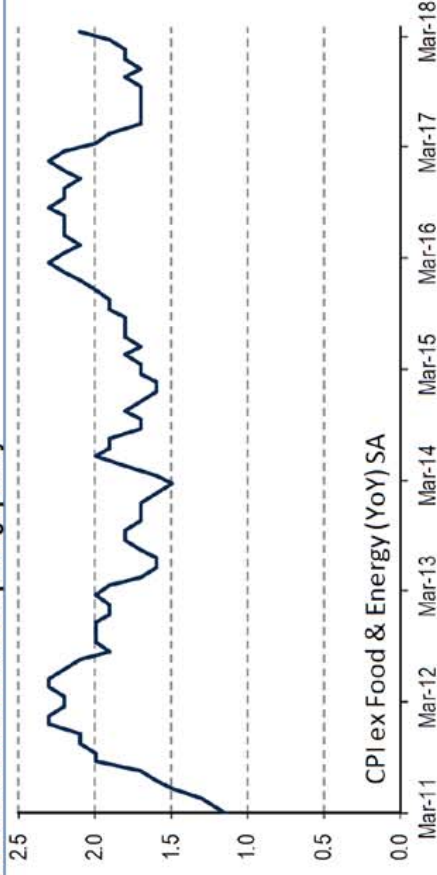


Table 6: Inflation forecasts

	Inflation forecasts				
	2016	2017f	2018f	2019f	2020-25f
CPI Consumer Prices	1.3	2.1	2.4	2.1	2.3
CPI ex Food & Energy	2.2	1.8	2.2	2.3	2.3
PCE Chain Prices	1.2	1.7	2.0	1.9	2.0
Core PCE Chain Prices	1.8	1.5	1.9	1.9	2.0

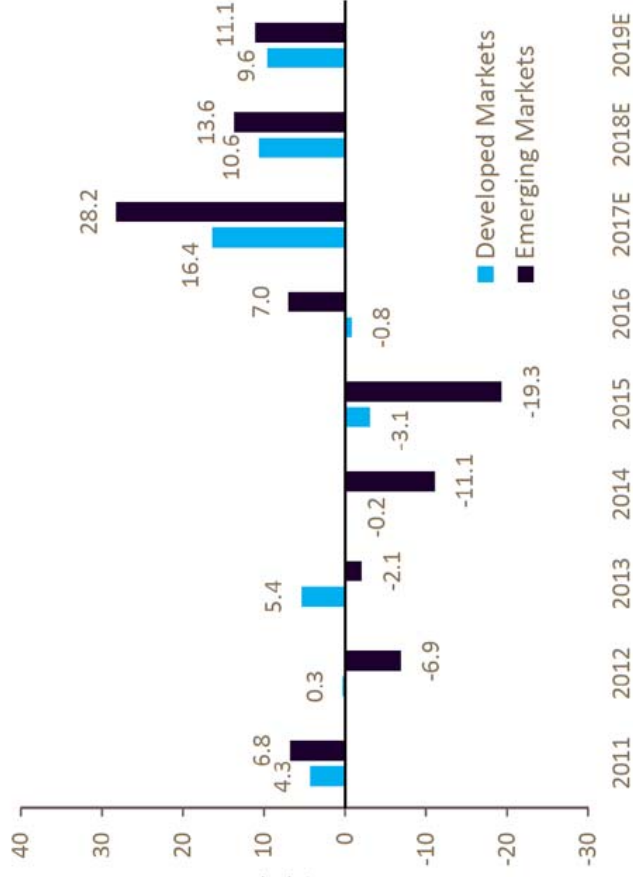
Source: Bloomberg; BofA Merrill Lynch Global Research

Source: BofA Merrill Lynch Global Research, Bloomberg

Global Profit Outlook

- Synchronized global earnings expansion is expected to continue.

Earnings growth has been synchronized across regions, a trend expected by analysts to continue.



(Right) FactSet consensus estimates. Data as of January 4, 2017.
 as proxies and index definitions.

Trump's Trade Policy in Context

Recent tariff announcements have been relatively small. Moving forward, cooler heads should prevail, given the stakes are high and there's too much to lose from a trade war, in our view.

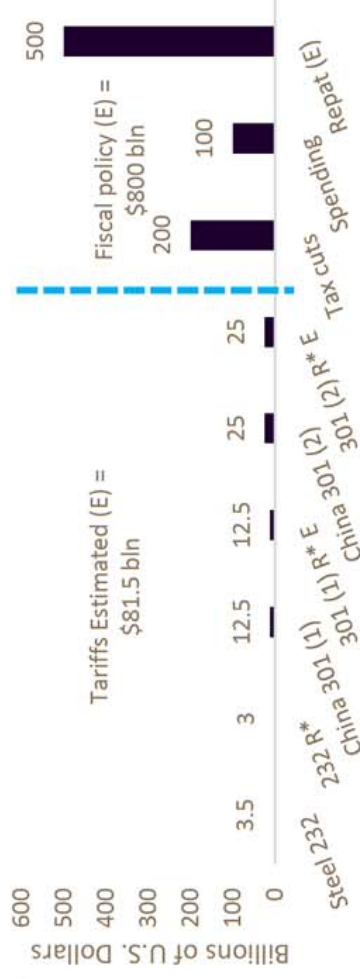
Steel and Aluminum tariffs were announced, which may affect downstream industries such as electrical equipment and auto industries. However...

Industry	Required Metal Inputs (%)
Electrical equipment, appliances, & components	16.2
Motor vehicles, bodies & trailers, & parts	11.6
Other transportation equipment	8.8
Miscellaneous manufacturing	8.5
Furniture & related products	6.8
Waste management & remediation services	6.6
Construction	6.4
Mining, except oil & gas	5.8
Support activities for mining	4.8
Computer & electronic products	4.8

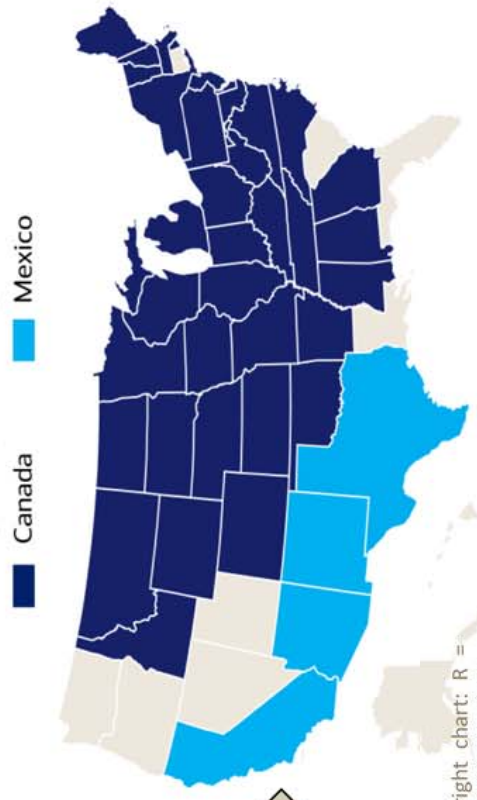
Our perspective is that the economic implications of a trade war would be a lose-lose for the U.S. and China. We expect negotiations to eventually yield an agreement.

Recent progress on NAFTA negotiations reflects the strategic and economic importance of this relationship to the U.S.. Mexico and Canada are the biggest customers for U.S. exports in many states. On watch are political contests in the second half of the year in all three countries, which may interfere with negotiations.

...the size of recent tariff announcements, compared to fiscal initiatives from the Trump administration, suggests their effect on the economic outlook should remain contained.



U.S.: State's Largest Export Trading Partner* (2016):



Source: BofAML Global Research, Strategas, MRB Partners. Top right chart: R = retaliation; numbers reflect rounds of tariff announcements. Data as of March 2018. Past performance is no guarantee of future results. Please refer to appendix for asset class disclosures and index definitions.

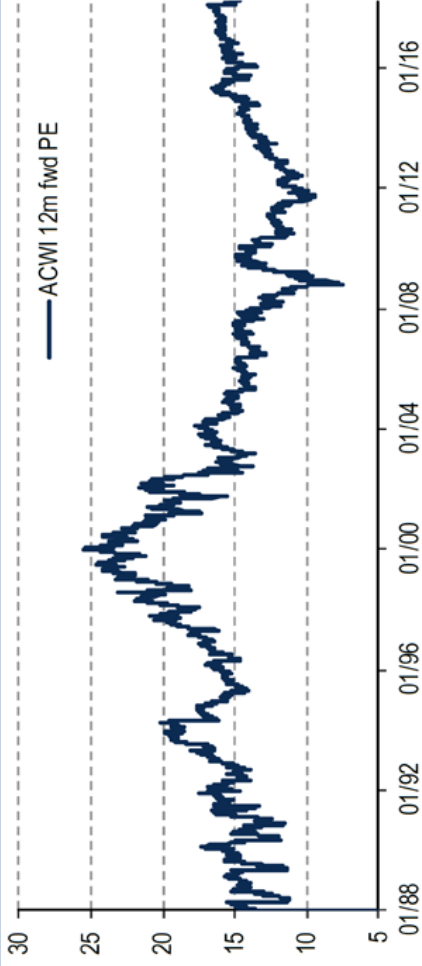
Synchronized Global Expansion and Global Equity Returns

- After a seven year period in which international and emerging markets materially underperformed US equities, we expect synchronized global earnings expansion combined with more attractive valuations in international and emerging markets equities to lead to continued improved performance.
- Emerging markets soared 37% in 2017 and have outpaced so far in 2018. Investors need to be aware that the emerging markets index is heavily influenced by China, which is almost 30% of the index.

12/31/10 to 12/31/17	Annualized	Cumulative
S&P 500	13.76	146.56
Developed International (EAFE)	6.04	50.76
Emerging Markets (EM)	2.56	19.36

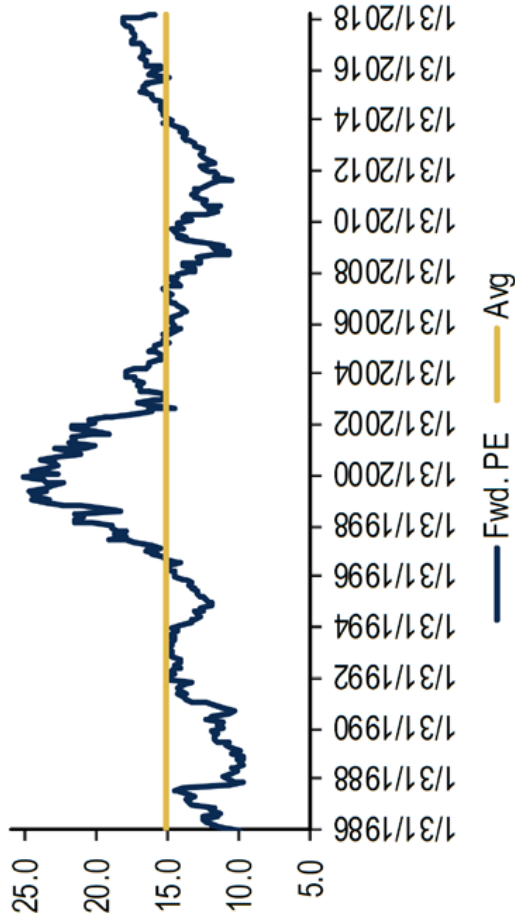
Global Equity Valuations are Attractive - Especially Outside the US

Chart 7: Global equities trade on 14.8x PE – 41st percentile vs history



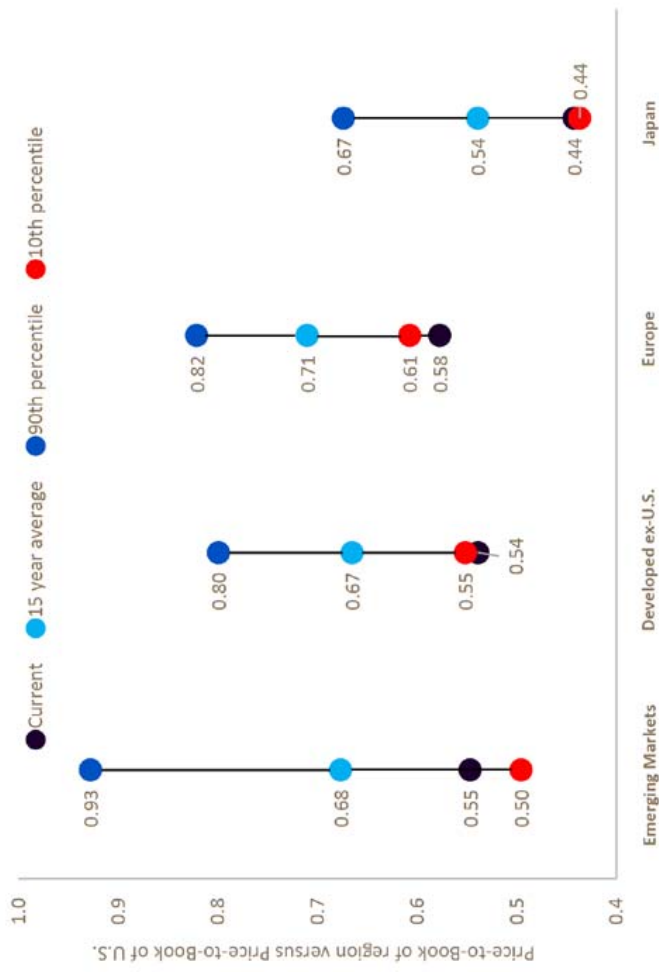
Source: BofA Merrill Lynch Global Research, Bloomberg, Datastream

Chart 6: S&P 500 forward Price/Earnings Ratio



Source: FactSet, BofA Merrill Lynch US Equity & US Quant Strategy

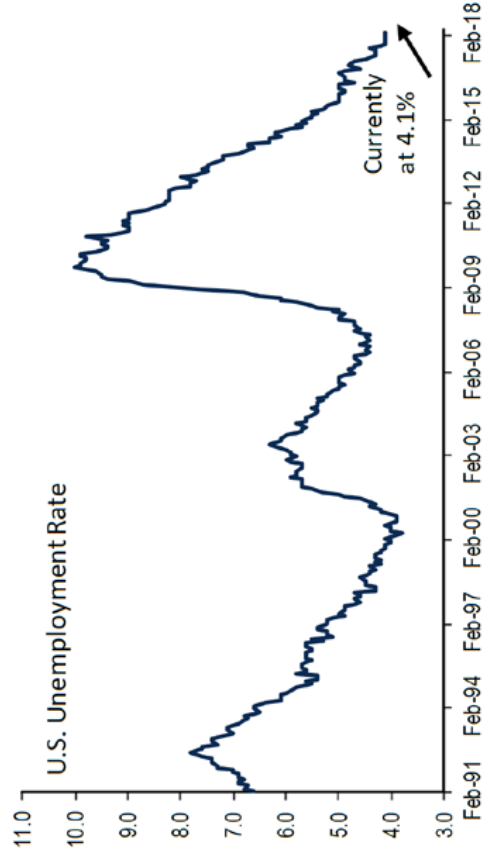
Price-to-Book ratios versus the U.S. (MSCI indices)



Fed Committed to Normalizing Policy

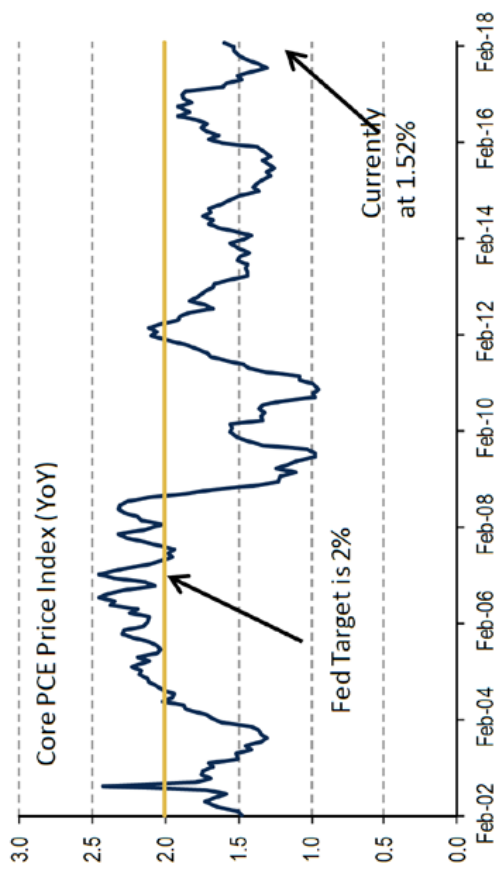
- In the minutes from its September meeting, the Fed announced plans to reduce the size of its balance sheet by gradually allowing maturing securities to roll off.
- Our economists believe the Fed is committed to normalizing policy and we expect two more hikes in 2018, with a risk of four hikes.
- The Fed faces challenges this year. Yellen has been replaced by Jay Powell, and there will be a number of other newcomers. The pace at which the Fed hikes rates will be closely watched by the market in 2018.

Chart 21: Unemployment at low levels



Source: Department of Labor; BofA Merrill Lynch Global Research

Chart 22: Inflation remains below Fed's 2% target

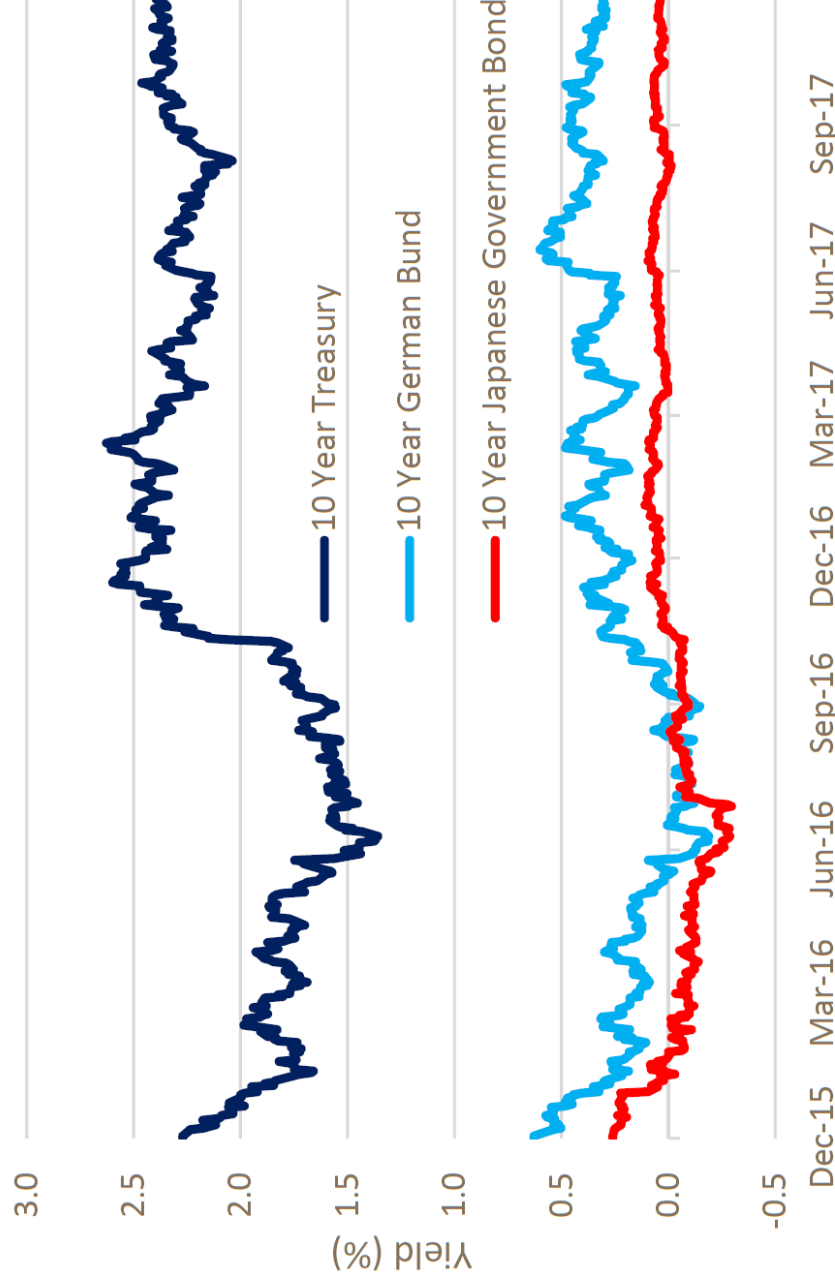


Source: Department of Labor; BofA Merrill Lynch Global Research

Low Global Policy Rates have Kept US Rates Low

- In our view, the search for yield, the low supply of sovereign bond inventory, and the negative yield backdrop outside the U.S., have all led to money flow into U.S. government yields pushing the curve down and long dated yields close to record levels. As central banks move toward policy to help lift the yield curve, we believe longer dated bond yields will creep higher.

Ex-U.S. global sovereign yields remain close to zero



Source: Bloomberg, Chief Investment Office. Data as of 12/31/17.

CIO Asset Class Outlook: Equities



Portfolios are being repositioned for higher nominal growth and rising interest rates. This rotation should continue throughout 2018. We emphasize international equities such as Europe, Japan and emerging markets, given more attractive valuations and better earnings prospects. Valuations are slightly rich but not unreasonable relative to fixed income.

Global Equities

Positive based on better nominal U.S. economic growth, driving corporate profits, and attractive relative valuations versus bonds, despite higher absolute valuations. We like large caps, such as multinational companies, which offer good earnings prospects and relative safeguards from market volatility. We favor technology and healthcare as sectors that offer secular opportunity for earnings growth. We have a balanced view on growth and value. Within large cap value, financial stocks are attractive, enjoying a cyclical increase in interest rates and rising prospects of deregulation; the sector remains attractively priced on a price-to-book basis.

U.S. Large Cap Growth

U.S. Large Cap Value

Small caps may benefit from the tax plan boosting already firming economic conditions. Regional banks are appealing on rising opportunities for investment and rising interest rates. We continue to favor large caps over small caps. Small cap earnings have lagged those of large cap and large cap provides relative safeguards from our expectation of higher volatility.

U.S. Small Cap Growth

U.S. Small Cap Value

Positive as Europe continues to improve within the global cycles, rising domestic demand and bank lending. Also, Japan is benefiting from rising real gross domestic product (GDP) growth and strong earnings revision ratios. Valuations for Europe and Japan are attractive versus U.S. equities.

International Developed

Emerging Markets

Valuations are attractive for long-term investors. EMs are beneficiaries of the pickup in global cyclical momentum. Asia remains our favored region within the emerging world. Favor strong fundamentals and consumer spending.

Source: GWIM Investment Strategy Committee (ISC) as of April, 2018. Please refer to appendix for asset class proxies and index definitions.

CIO Asset Class Outlook: Fixed Income



<p>Global Fixed Income</p>	<p>• • • • • •</p>	<p>Bonds provide portfolio diversification, income and stability, but low rates skew down-side risk. Neutral to slightly short duration is warranted, balancing expectations of marginally higher rates over time and periods of flight to quality given political and geo-political headwinds.</p>
<p>U.S. Government</p>	<p>• • • • • •</p>	<p>Yields have become somewhat more compelling, particularly versus sovereign peers. Overall, rate risk remains tilted toward the upside. Some allocation for liquidity and safety is advised. The Fed is expected to continue to raise short rates, and longer rates should be impacted by fiscal stimulus, global yields and international central bank activity.</p>
<p>U.S. Mortgages</p>	<p>• • • • • •</p>	<p>Mortgage Back Security (MBS) spreads expected to widen, as the Fed balance sheet unwind continues to accelerate. We maintain our negative view on the sector based on the outlook for rates, rising volatility and higher supply in the short to medium term.</p>
<p>U.S. Corporates</p>	<p>• • • • • • • • • • •</p>	<p>While we expect that credit fundamentals will continue to improve over the next 12 months and that demand should remain relatively strong amid lower supply, investment grade spreads appear fairly valued. Within fixed income, credit is a preferred sector and our positioning remains biased towards U.S. banks and financials, especially on the short-end.</p>
<p>High Yield</p>	<p>• • • • • •</p>	<p>Valuations appear rich on a spread, yield and ratio basis. Prefer actively-managed solutions that are higher in credit quality. Fundamentals have improved modestly, but leverage remains elevated. Within HY, an allocation to floating rate, secured bank loan strategies is advised.</p>
<p>U.S. Investment Grade Tax Exempt</p>	<p>• • • • • • • • • • •</p>	<p>Offers good relative value for tax-sensitive investors, particularly those in high-tax states. Lower new issue supply could provide a technical tailwind. Credit generally stable, although certain issuers face long-term challenges due to underfunded pensions. Valuations on short-end are rich relative to historical levels.</p>
<p>U.S. H.Y. Tax Exempt</p>	<p>• • • • • •</p>	<p>Valuations appear rich on a spread, yield, and ratio basis. Prefer actively-managed solutions that are higher in credit quality.</p>
<p>International Fixed Income</p>	<p>• • • • • • • • • • •</p>	<p>Compressed yields and risk premiums around the globe compared to the U.S., combined with potentially higher volatility in non-U.S. markets, present unfavorable risk/reward conditions for non-U.S. fixed income, justifying a negative position. Expensive vs. U.S. dollar alternatives.</p>

Source: GWIM Investment Strategy Committee (ISC) as of April 2018. Please refer to appendix for asset class proxies and index definitions.



CIO Asset Class Outlook: Alternatives



Alternative Investments*
 Select alternative investments help broaden the investment toolkit to diversify traditional stock and bond portfolios. We maintain our moderately positive view on equity long/short strategies and are upgrading our view on equity market-neutral strategies to moderately positive from neutral. Inter-stock and inter-sector correlations remain low, which continue to reward fundamental research and alpha-oriented strategies.

Hedge Funds
 We view any continued widening in return dispersion as an additional tailwind this year. The recent return of equity volatility should provide opportunity to both long and short positions. Additionally, full equity valuations could be a headwind to long positions, but could also contribute to a larger opportunity set for the short book.

Private Equity
 We view private equity strategies as long-term potential portfolio return enhancers with unique access to specialized deals unavailable to most investors. We recommend investors plan a disciplined multi-year commitment strategy that builds portfolio diversity among different managers, styles, geographies and, importantly, vintages. Currently, we see opportunities in special situations, private credit and infrastructure—which may offer compelling long-term opportunities for investors in search of yield and inflation hedges.

Real Assets
 Commodity prices are likely range-bound in the near-term, weighed down by global economic policy uncertainty but held up by stable global cyclical momentum. We expect a slight upward track as the global expansion gains more traction. We think oil prices will move slightly higher this year and finish the year in the \$60 to \$70 range. U.S. real estate markets remain generally healthy with supply and demand largely in balance for most property sectors. We maintain our expectation that commercial real estate will continue to perform well in 2018 based on our view of U.S. economic growth, a healthy job market and increasing consumer spending. We continue to see opportunity for real estate debt strategies.

Investment Strategy: The pro-cyclical improvement has started to break down the elevated correlation amongst and within asset classes since early last year. We expect this adjustment to continue as economic volatility picks up and asset class volatility follows suit. In this environment, we believe alternative investments, namely hedge funds, should have a larger opportunity set to outperform industry benchmarks, which is a break from the most recent past of difficult performance.

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to pre-qualified clients. Diversification does not ensure a profit or protect against loss in declining markets. Source: GWIM Investment Strategy Committee (ISC) as of April, 2018. Please refer to appendix for asset class, important risk disclosures, and index definitions. Past performance is no guarantee of future results.

Disclosure

- Merrill Lynch offers a broad range of brokerage, investment advisory (including financial planning), banking, trust, mortgage and other financial services and products. The nature and degree of advice and assistance provided, the fees charged, and client rights and Merrill Lynch's obligations will differ among these services.
- Any information presented about tax considerations affecting client financial transactions or arrangements is not intended as tax advice and should not be relied on to avoid any federal, state or local tax penalties. Neither Merrill Lynch nor its Financial Advisors provide tax, accounting or legal advice. Clients should review any planned financial transactions or arrangements that may have tax, accounting or legal implications with their personal professional advisors.
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- The investments discussed have varying degrees of risk. Some of the risks involved with equities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Bonds are subject to interest rate, inflation and credit risks. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets. Structured investments may not be suitable for all investors.
- Asset allocation and diversification do not assure a profit or protect against a loss in declining markets.
- Borrowing against securities may not be appropriate for everyone and should be carefully evaluated before being used. If securities decline in value, the account holder may be required to pay down the loan or deposit additional securities as collateral. If they cannot do so, all or a portion of their collateral may be liquidated and the proceeds used to pay down the loan balance. A forced liquidation could also have adverse tax consequences or trigger potential capital gains taxes.



Online at: www.mymerrill.com

Account Number: 5TL-04122

THE APPRAISAL FOUNDATION
1155 15TH ST NW STE 1111
WASHINGTON DC 20005-2706

24-Hour Assistance: (800) MERRILL

Access Code: 51-585-04122

Net Portfolio Value: \$200,274.66

Your Financial Advisor:
THE DUNN/DUNNE TEAM
3 BETHESDA METRO CTR, STE 100
BETHESDA MD 20814
1-301-215-4400

OPERATING ACCOUNT

This account is enrolled in the Master Financial Service

March 01, 2018 - March 29, 2018

	This Statement	Year to Date
Opening Value (03/01)	\$274.58	
Total Credits	200,000.08	1,400,205.79
Total Debits	-	(1,199,932.00)
Securities You Transferred In/Out	-	-
Market Gains/(Losses)	-	-
Closing Value (03/29)	\$200,274.66	

	March 29	February 28
ASSETS		
Cash/Money Accounts	200,274.66	274.58
Fixed Income	-	-
Equities	-	-
Mutual Funds	-	-
Options	-	-
Other	-	-
Subtotal (Long Portfolio)	200,274.66	274.58
TOTAL ASSETS	\$200,274.66	\$274.58
LIABILITIES		
Debit Balance	-	-
Short Market Value	-	-
TOTAL LIABILITIES	-	-
NET PORTFOLIO VALUE	\$200,274.66	\$274.58

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OPERATING ACCOUNT

Account Number: 5TL-04122

24-Hour Assistance: (800) MERRILL
Access Code: 51-585-04122

OPERATING ACCOUNT

March 01, 2018 - March 29, 2018

CASH FLOW	This Statement	Year to Date
Opening Cash/Money Accounts	\$274.58	
CREDITS		
Funds Received	-	-
Electronic Transfers	200,000.00	1,400,000.00
Other Credits	-	-
Subtotal	200,000.00	1,400,000.00
DEBITS		
Electronic Transfers	-	-
Margin Interest Charged	-	-
Other Debits	-	(1,199,782.00)
Visa Purchases	-	-
ATM/Cash Advances	-	-
Checks Written/Bill Payment	-	-
Advisory and other fees	-	(150.00)
Subtotal	-	(1,199,932.00)
Net Cash Flow	\$200,000.00	\$200,068.00

OTHER TRANSACTIONS

Dividends/Interest Income	0.08	205.79
Security Purchases/Debits	-	-
Security Sales/Credits	-	-
Closing Cash/Money Accounts	\$200,274.66	

ASSET ALLOCATION*

* Estimated Accrued Interest not included; may not reflect all holdings; does not include asset categories less than 1%.

<input type="checkbox"/> Cash/Money Accounts	Allocation	100.00%
TOTAL		100%



Having an asset allocation that reflects your profile and goals is key to achieving the right outcome. Consult with your advisor to determine an appropriate allocation across all your holdings.

DOCUMENT PREFERENCES THIS PERIOD

	Mail	Online Delivery
Statements	X	
Performance Reports	X	
Trade Confirms	X	
Shareholders Communication	X	
Prospectus	X	
Service Notices	X	
Tax Statements	X	



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THE APPRAISAL FOUNDATION
1.155 15TH ST NW STE 1111
WASHINGTON DC 20005-2706

Account Number: 5TL-04B00

24-Hour Assistance: (800) MERRILL
Access Code: 49-585-04200

Net Portfolio Value: \$3,437,942.50

Your Financial Advisor:
THE DUNN/DUNNE TEAM
3 BETHESDA METRO CTR, STE 100
BETHESDA MD 20814
1-301-215-4400

LONG TERM RESERVE

This account is enrolled in the Merrill Lynch Investment Advisory Program

March 01, 2018 - March 29, 2018

	This Statement	Year to Date
Opening Value (03/01)	\$3,452,941.80	
Total Credits	10,182.56	13,096.65
Total Debits	(2,158.09)	(6,566.24)
Securities You Transferred In/Out	-	-
Market Gains/(Losses)	(23,023.77)	(42,195.53)
Closing Value (03/29)	\$3,437,942.50	

	March 29	February 28
ASSETS		
Cash/Money Accounts	3,256.94	5,413.82
Fixed Income	-	-
Equities	-	-
Mutual Funds	3,434,685.56	3,447,527.98
Options	-	-
Other	-	-
Subtotal (Long Portfolio)	3,437,942.50	3,452,941.80
TOTAL ASSETS	\$3,437,942.50	\$3,452,941.80
LIABILITIES		
Debit Balance	-	-
Short Market Value	-	-
TOTAL LIABILITIES	-	-
NET PORTFOLIO VALUE	\$3,437,942.50	\$3,452,941.80

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LONG TERM RESERVE

Account Number: 5TL-04B00

24-Hour Assistance: (800) MERRILL
Access Code: 49-585-04200

LONG TERM RESERVE

March 01, 2018 - March 29, 2018

CASH FLOW

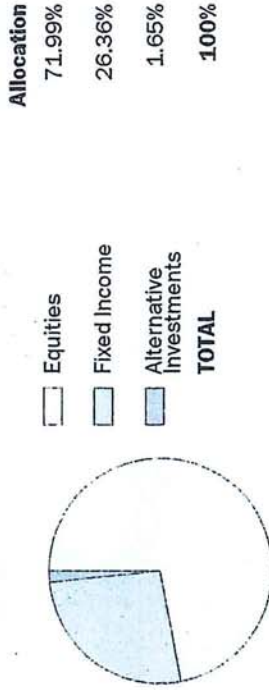
	This Statement	Year to Date
Opening Cash/Money Accounts	\$5,413.82	
CREDITS		
Funds Received	-	-
Electronic Transfers	-	-
Other Credits	-	-
Subtotal	-	-
DEBITS		
Electronic Transfers	-	-
Margin Interest Charged	-	-
Other Debits	-	-
Visa Purchases	-	-
ATM/Cash-Advances	-	-
Checks Written/Bill Payment	-	-
Advisory and other fees	(2,158.09)	(6,566.24)
Subtotal	(2,158.09)	(6,566.24)
Net Cash Flow	(\$2,158.09)	(\$6,566.24)

OTHER TRANSACTIONS

Dividends/Interest Income	10,182.56	13,096.65
Dividend Reinvestments	(10,181.35)	(13,089.96)
Security Purchases/Debits	-	-
Security Sales/Credits	-	-
Closing Cash/Money Accounts	\$3,256.94	

ASSET ALLOCATION*

* Estimated Accrued Interest not included; may not reflect all holdings; does not include asset categories less than 1%; includes the categorical values for the underlying portfolio of individual mutual funds, closed end funds, and UITs.



DOCUMENT PREFERENCES THIS PERIOD

	Mail	Online Delivery
Statements	X	
Performance Reports	X	
Trade Confirms	X	
Shareholders Communication	X	
Prospectus	X	
Service Notices	X	
Tax Statements	X	



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THE APPRAISAL FOUNDATION
1155 15TH ST NW STE 1111
WASHINGTON DC 20005-2706

Account Number: 5TL-04123

24-Hour Assistance: (800) MERRILL

Access Code: 51-585-04123

Net Portfolio Value: \$1,805,172.39

Your Financial Advisor:
THE DUNN/DUNNE TEAM
3 BETHESDA METRO CTR, STE 100
BETHESDA MD 20814
1-301-215-4400

SHORT TERM RESERVE

This account is enrolled in the Master Financial Service

March 01, 2018 - March 29, 2018

	This Statement	Year to Date
Opening Value (03/01)	\$1,804,233.38	
Total Credits	939.01	1,201,843.42
Total Debits	-	-
Securities You Transferred In/Out	-	-
Market Gains/(Losses)	-	-
Closing Value (03/29)	\$1,805,172.39	

	March 29	February 28
ASSETS		
Cash/Money Accounts	3,005,171.00	1,804,233.38
Fixed Income	-	-
Equities	-	-
Mutual Funds	-	-
Options	-	-
Other	-	-
<i>Subtotal (Long Portfolio)</i>	3,005,171.00	1,804,233.38
TOTAL ASSETS	\$3,005,171.00	\$1,804,233.38
LIABILITIES		
Debit Balance	(1,199,998.61)	-
Short Market Value	-	-
TOTAL LIABILITIES	(1,199,998.61)	-
NET PORTFOLIO VALUE	\$1,805,172.39	\$1,804,233.38

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SHORT TERM RESERVE

Account Number: 5TL-04123

24-Hour Assistance: (800) MERRILL
Access Code: 51-585-04123

SHORT TERM RESERVE

March 01, 2018 - March 29, 2018

CASH FLOW	This Statement	Year to Date
Opening Cash/Money Accounts	\$1,804,233.38	
CREDITS		
Funds Received	-	-
Electronic Transfers	-	-
Other Credits	-	1,199,782.00
Subtotal	-	1,199,782.00
DEBITS		
Electronic Transfers	-	-
Margin Interest Charged	-	-
Other Debits	-	-
Visa Purchases	-	-
ATM/Cash Advances	-	-
Checks Written/Bill Payment	-	-
Advisory and other fees	-	-
Subtotal	-	-
Net Cash Flow	-	\$1,199,782.00

OTHER TRANSACTIONS

Dividends/Interest Income	939.01	2,061.42
Security Purchases/Debits	-	-
Security Sales/Credits	-	-
Closing Cash/Money Accounts	\$1,805,172.39	

ASSET ALLOCATION*

* Estimated Accrued Interest not included; may not reflect all holdings; does not include asset categories less than 1%.

<input type="checkbox"/> Cash/Money Accounts	Allocation	100.00%
TOTAL		100%



Having an asset allocation that reflects your profile and goals is key to achieving the right outcome. Consult with your advisor to determine an appropriate allocation across all your holdings.

DOCUMENT PREFERENCES THIS PERIOD

	Mail	Online Delivery
Statements	X	
Performance Reports	X	
Trade Confirms	X	
Shareholders Communication	X	
Prospectus	X	
Service Notices	X	
Tax Statements	X	

**APPRAISAL SUBCOMMITTEE
OPEN SESSION SPECIAL MEETING MINUTES
APRIL 23, 2018**

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
BCFP – Veronica Spicer
FDIC – Marianne Hatheway
FHFA – Bob Witt
HUD – Cheryl Walker
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Vicki Ledbetter-Metcalf
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: See Attachment

The Special Meeting was called to order at 10:15 a.m. by A. Lindo.

ACTION ITEM

- **TriStar Bank Temporary Waiver Request**

A. Lindo welcomed observers and acknowledged Ted Williams, President and CEO, of TriStar Bank, and Greg Gonzales, Commissioner of the Tennessee Department of Financial Institutions. A. Lindo noted that the purpose of the Special Meeting is to consider the temporary waiver request filed by TriStar Bank (Requester or TriStar). A. Lindo summarized that in order to grant a temporary waiver, the Board would have to make a determination that two conditions exist: (1) a scarcity of credentialed appraisers in a State, or in any geographical political subdivision of a State; and (2) that the scarcity is leading to significant delays in obtaining appraisals for federally related transactions. ASC staff prepared an analysis based on data provided by TriStar and the Tennessee Real Estate Appraisers Commission (TN REAC), as well as information regarding commercial real estate transactions in the four counties targeted in the temporary waiver request. The

original request from Tristar referred to the Nashville, TN Metropolitan Statistical Area; TriStar did later clarify the request covered Davidson, Dickson, Maury and Williamson counties. J. Park noted that Section 1119 of Title XI grants the ASC authority to waive any requirement relating to appraiser credentialing, but it does not grant the ASC authority to waive requirements to obtain an appraisal. J. Park presented the staff analysis. A. Lindo requested that staff analysis be attached to the minutes. A. Lindo provided Mr. Williams of TriStar the opportunity to address the Board. Mr. Williams summarized his request and urged all concerned parties to come together to improve lending to clients in the growing market.

A. Lindo requested that the ASC first address the scarcity issue. R. Taft said he evaluated the data provided by TriStar as well as data from the ASC's Appraiser Registry. He noted there are appraisers in neighboring counties who may also work in the four named counties. He also noted there are approximately 150 appraisers in the four counties. R. Taft further commented that in reviewing the turnaround time for appraisals, it appears the average was 22 days in 2013 and 32 days in 2017. He noted if the median was used, it would only be an increase of five days. R. Taft said no information was provided regarding TriStar's panel size and whether it changed between 2013-2017, though it appeared that only three appraisers were utilized for most appraisal assignments. M. Hatheway suggested that regulatory agencies could review regulations to see if there is room for improvement; she also noted the threshold for commercial transactions was recently increased. She added that using a median to determine the turnaround time was preferred as there were outliers that skewed the average. She stated an increase of five days is not a significant delay in an active market. V. Spicer was in agreement with M. Hatheway and R. Taft. The comment letter from K. McGuigan explained the delay on one appraisal and the change to a developer's plan was the cause for the other appraisal report delay. The letter also listed ten appraisals he completed for TriStar that had a median of 24-25 days. B. Witt noted that the waiver request stems from demand which does not equal scarcity. R. Taft said in reviewing formal comment letters, he read letters from Tennessee appraisers in the four counties listed in the waiver request; there were 50 comments from Tennessee appraisers in total and none felt there was a shortage of appraisers in Tennessee. He noted there were also approximately 100 comments received prior to formal comment; 17 were from Certified General appraisers in the affected area and none felt there was a scarcity of appraisers. R. Taft added that several appraisers said that they had contacted TriStar to be added to the appraiser roster.

A. Lindo thanked members for their comments and requested a vote on the temporary waiver request. In regard to TriStar's temporary waiver request pursuant to Section 1119 of Title XI, he asked members if TriStar's request and information submitted to the ASC supports a finding that there is a scarcity of appraisers that has resulted in a significant delay in the delivery times for appraisals. The vote was 7-0 to deny the temporary waiver request for TriStar. A. Lindo directed A. Ritter to draft a Final Order denying temporary waiver relief for TriStar Bank to be published in the *Federal Register*. A. Lindo said that, during the course of the ASC's review, there are other options available to TriStar for appraisal services. Suggestions from the ASC members included: TriStar working with the

State Appraiser Program, State Banking Commission and the appraiser community to increase its roster size, and using the ASC's Appraiser Registry to locate appraisers in the geographical area. R. Taft said that the ASC could schedule a follow-up meeting with TriStar and TN REAC in the future to see if the issues have been resolved. M. Hatheway added that there could be a scarcity of appraisers in some parts of the country, so temporary waivers may be supportable in those areas. A. Lindo reiterated that the two criteria of any waiver request would need to be met.

The Open Session adjourned at 11:00 a.m. The next ASC Meeting will be May 9, 2018.

Attachments: Observer List
ASC Staff Analysis

ASC Meeting Attendees

April 23, 2018

Affiliation	Name
American Society of Appraisers	John Russell
American Guild of Appraisers	Leo Regensberger
American Guild of Appraisers	Robert O'Brien
American Society of Farm Managers & Rural Appraisers	Stephen Frerichs
Appraisal Foundation	Kelly Davids
Appraisal Institute	Bill Garber
Appraisal Institute	Brian Rodgers
Appraise Metro DC	John Osipchak
Bureau of Consumer Financial Protection	Deana Krumhansl
Clarocity Corporation	Ernie Durbin
Conference of State Bank Supervisors	Mary Beth Quist
Conference of State Bank Supervisors	Dan Schwartz
Conference of State Bank Supervisors	Alisha Sears
Federal Deposit Insurance Corporation	Michael Briggs
Federal Deposit Insurance Corporation	Suzy Gardner
Federal Deposit Insurance Corporation	Ben Gibbs
Federal Deposit Insurance Corporation	Lauren Whitaker
Federal Deposit Insurance Corporation	Tony Womack
Federal Housing Finance Agency	Ming-Yuen Meyer-Fong
Federal Reserve Board	Gillian Burgess
Federal Reserve Board	Carmen Holly
Federal Reserve Board	Matt Suntag
Independent Community Bankers of America	James Kendrick
National Association of Realtors	Sehar Siddiqi
Office of the Comptroller of the Currency	John Binkley
Office of the Comptroller of the Currency	Joanne Phillips
Ohio Coalition of Appraisers	Charles Gress
Real Estate Analysts	S. Todd Rogers
Real Estate Valuation Advocacy Association	Mark Schiffman
Tennessee Bankers Association	Colin Barrett
Tennessee Department of Financial Institutions	Greg Gonzales
Tennessee Real Estate Appraisers Commission	Randy Thomas
TriStar Bank	Ted Williams
Virginia Coalition of Appraiser Professionals	Andy Watkins
Woodbridge Appraisal Service	Gary Denny

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park

DATE: April 17, 2018

RE: ASC Special Meeting: TriStar Bank Temporary Waiver Request

Pursuant to §1119, Title XI FIRREA, TriStar Bank, a state-chartered bank located in Dickson, Tennessee (Requester or TriStar) is requesting a one-year waiver of the “appraisal regulation’s requirements to utilize a certified appraiser for loan requests” for Dickson, Maury, Williamson, and Davidson counties Tennessee.

TriStar Request and Data

- Requester states that due to demand, TriStar is having a difficult time receiving appraisals in a reasonable amount of time. The Requester further states the shortage of appraisers, time delay and added cost is negatively impacting clients.
- Requester provided data to support the claim of an appraiser scarcity. Appraisal and evaluation data were combined in the submission and have been separated as best we can for analysis.
- The data includes a few appraisals in counties other than the four which are part of the waiver request.
- The counties for some of the appraisals/evaluations were not identified.

Summary of Requester’s Data

- Staff analysis of the Requester’s data is provided in Table A, *Summary of Requester’s Data*.
- The counties for some of the appraisals and evaluations were not identified.
- It is unknown if data provided for 2013 and 2017 represents all loan applications, closed loans or some other unidentified subset of transactions.
- No reason is given for selecting these two years or why the intervening years’ data was not included.
- Table B summarizes the change in median value per appraisal and evaluation for the submitted years.

TABLE A, Summary of Requester's Data

Delivery and Fees	2013			2017			% Change	
	Orders	Median Days to Deliver	Median Fee	Orders	Median Days to Deliver	Median Fee	Median Days to Deliver	Median Fee
Res. evaluations	91	11	\$270	36	13	\$292	+18%	+8%
CRE evaluations	27	10	\$669	3	22	\$933	+120%	+39%
Res. appraisals	47	9	\$382	94	15	\$395	+67%	+3%
CRE appraisals	6	22	\$2,088	15	25*	\$2240	+14%	+7%

* CRE appraisal median days to deliver controlled for atypical delays as explained in the McGuigan comment letter dated April 6, 2018.

TABLE B

Change in Median Value	2013	2017	% Change
Residential evaluations	\$143,212	\$181,539	27%
CRE evaluations	\$334,184	\$383,667	15%
Residential appraisals	\$253,785	\$358,696	41%
CRE appraisals	\$614,126	\$1,220,693	99%

Staff analysis:

Days to deliver and fees (2013 – 2017)

- Residential evaluations
 - Orders dropped by 60%.
 - Delivery time and fees remained relatively stable.
 - Median value increased 27%.
- CRE evaluations
 - Orders dropped 89%.
 - Delivery time increased 120% and fees increased almost 40%. However, only three CRE evaluations were ordered in 2017 which could skew the statistics.
 - Median value remained relatively stable.
- Residential appraisals
 - Orders increased by 100%.
 - Delivery time increased 67% and fees remained stable.
 - Median value increased 41%.
- CRE appraisals
 - Orders increased by 150%.
 - Delivery time and fees increased nominally.
 - Median value increased 99%.

Summary of Requester's Data

- Requester used Certified appraisers to provide both evaluations and appraisals.
- No details were provided on the Requester's fee panel size or how appraisers are qualified for the panel or selected for individual appraisal and evaluation assignments.
- There is no evidence that TriStar has been adding additional appraisers to their panel. Several appraisers credentialed in Tennessee responded to the ASC request for comments

stating they have contacted TriStar offering to perform appraisals/evaluations for the bank, but have not been assigned any appraisals or evaluations to date.

- Requester’s book of lending business appears to have diversified into more counties and higher value and more complex properties.

Summary of Tennessee Real Estate Appraiser Commission (TN REAC) Response

- TN REAC letter asserts no shortage of appraisers currently exists to service the four counties and provides the following to support their conclusions:
 - Tennessee has 836 Certified General appraisers.
 - 174 Certified General appraisers are residents in the four counties and the directly surrounding area.

National Registry Data

- Table C reflects the number of licensed and certified appraisers in Tennessee based on the information collected during the last three ASC Compliance Reviews (2013, 2015 and 2017).
- The March 2018 figures were obtained from the National Registry.
- Since 2013, the number of licensed and certified appraisers has increased in Tennessee from 1,840 to 1,930 (+5%). The number of Certified General appraisers (subject of the requested waiver) has increased from 730 to 862 (+18%).

Table C

Date	Licensed	Certified Residential	Certified General	Total	Trainees
January 2013	131	979	730	1,840	Unknown
January 2015	121	965	800	1,886	225
January 2017	117	986	846	1,949	225
March 2018	130	960	862	1,930	Unknown

- Table D shows the current National Registry data in the four counties that are the subject of the temporary waiver request.
- The National Registry is not historic, so we are unable to search past data.

Table D

Appraiser Credentials	Dickson	Maury	Williamson	Davidson	Totals
	<i>2017</i>	<i>2017</i>	<i>2017</i>	<i>2017</i>	<i>2017</i>
Licensed	0	1	4	9	14
CR	7	14	58	92	171
CG	5	8	45	68	126
Totals	12	23	107	169	311

Staff analysis:

- There are more Certified General appraisers in Tennessee today than in 2013.
- National Registry data supports the data provided by the TN REAC.
- National Registry data does not support Requester’s claim of only one Certified General appraiser in Dickson County.

CRE Transactions

CoStar provided the following information regarding CRE transactions in the counties targeted in the temporary waiver request:

Table E

County	2013	2017	% Change
Dickson	23	31	+35%
Maury	48	99	+106%
Williamson	143	123	-14%
Davidson	601	788	+31%
Totals	815	1,041	+28%

Summary of Comments

- 166 comments were received during the 30-day Notice and Comment period. The following is a general breakdown of the commenters:
 - TN REAC
 - Fifty Tennessee appraisers
 - Two local Realtor associations
 - Tennessee Appraisers Coalition
 - 11 appraiser associations outside of Tennessee
 - Three appraiser associations within Tennessee
 - Appraisal Foundation
 - Tennessee Bankers Association
 - National Association of Realtors
 - American Bankers Association
 - Association of Appraiser Regulatory Officials
 - Conference of State Bank Supervisors
 - Numerous out of State appraisers, appraiser associations and coalitions.
- Vast majority of comments were opposed to the temporary waiver request.
- Supporting data submitted by Requester is not supported by the TN Commission or National Registry data.
- Costar reports 1,041 CRE transactions in 2017. This equates to six appraisal or evaluation orders per certified general appraisers in the four and immediately surrounding counties.
- Requester reported 148 valuations in 2017 which equates to fewer than one assignment per year for the certified general appraisers in the immediate area.

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
MAY 9, 2018**

LOCATION: Federal Reserve Board – International Square location
1850 K Street NW, Washington, DC 20006

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Philip Neary
FDIC – Marianne Hatheway
FHFA – Robert Witt
HUD – Cheryl Walker
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster

OBSERVERS: CFPB – Deana Krumhansl
FDIC – Michael Briggs
FDIC – Rich Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FRB – Gillian Burgess
FRB – Carmen Holly
FRB – Matt Suntag
OCC – Will Binkley
OCC – Stacey Fluellen
REVAA – Tom Tilton

The Meeting was called to order at 10:00 a.m. by A. Lindo.

REPORTS

- **Chairman**

A. Lindo welcomed observers to the Meeting.

- **Executive Director**

J. Park updated the ASC on recent staff activities.

- He and D. Graves attended the Appraisal Standards Board (ASB) Meeting in Las Vegas. Discussion included proposed changes to the 2020-21 edition of USPAP. Changes include a proposal to eliminate the Restricted Appraisal Report and leave one reporting option (Appraisal Report) that is controlled by minimum requirements but otherwise open to the needs of the client. The ASB started livestreaming its meetings which has increased participation. R. Taft asked if an Exposure Draft would be sent out regarding the proposed changes to the 2020-21 USPAP. J. Park responded that the Exposure Draft will be distributed by the end of May.
- ASC staff attended the Appraiser Qualifications Board (AQB) Meeting and Association of Appraiser Regulatory Officials (AARO) Conference in Seattle May 4-6. The AQB Meeting focused on Criteria changes that went into effect on May 1st. As the required hours for experience was lowered, it is unknown how many States will revise their statutes/regulations to match the Criteria. If some States revise their regulations/statutes to match the new Criteria requirements and other States do not, it may lead to reciprocity issues. D. Graves noted that several States said they would accept, for reciprocal purposes, appraisers from States that are following the revised Criteria. Another topic

discussed was the AQB's development of "Practical Applications in Real Estate Appraisal." This would help trainees in rural areas gain experience using virtual technology.

The AARO Conference included a presentation on the recent AQB Criteria changes as well as implementation of the AMC Registry. There was also discussion on temporary waiver requests and how the waivers could affect the economy and States' regulatory systems.

- J. Park said that ASC staff has delayed the opening of the AMC Registry to July 16th to allow staff additional time to work on the invoicing portion of the program. The Revised Policy Statements were published in the *Federal Register* on March 5th and States have been receptive to the changes. Thirty-eight States are using the Unique Identifier Program and so far no State has said they would not use the Program. Seven States are using the SOAP system to upload data files to the Appraiser Registry and several other States are in development to switch to SOAP.

- **Delegated State Compliance Reviews**

D. Graves reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's February 14th Meeting. One State Compliance Review was finalized and

approved by the Executive Director under delegated authority and one was finalized and approved by the Chairman under delegated authority. Maryland was awarded a Finding of “Excellent” and will remain on a two-year Review Cycle. Illinois was awarded a Finding of “Needs Improvement” and will remain on a two-year Review Cycle. R. Taft asked how ASC staff determines when a more strongly worded letter needs to be sent to a State and how often to visit a State to determine its progress. D. Graves responded that Illinois has made improvements since its last Review. In the previous Review, Illinois had areas of concern which were raised to out of compliance in the current Review as corrections to those areas had not been addressed. Illinois has now made improvements in these areas. A. Lindo asked if Illinois was given instructions to improve its program. D. Graves responded that Illinois was asked to provide, within 90 days, a plan to improve its oversight of continuing education. As Illinois has an approved budget after two years, ASC staff will review Illinois’ progress via offsite monitoring. R. Taft noted that the cover letter to the Report does not request a commitment from Illinois to make changes to its program. D. Graves responded that the request for an improvement plan was included in the Report, not the cover letter. She added that a Priority Contact will be scheduled for 2019. A. Lindo asked staff to provide an update on the Illinois Program at the August ASC Meeting.

- **Financial Manager**

G. Hull reported that the FY17 audit has been completed with a clean opinion, and no findings, material weaknesses or internal control deficiencies were found. The ASC’s FY17

approved budget was approximately \$3.9M with \$3.5M expended. FY17 revenue was budgeted at \$3.5M with actual revenue of \$3.4M. While a loss of \$406,000 was anticipated, the loss was less due to the asset conversion and expense capitalization of the new ASC database, and two vacant positions were not filled.

G. Hull also reported on the FY18 year-to-date financial status. FY18 revenue and expenses are slightly higher than anticipated. A. Lindo questioned the costs for Registry development. G. Hull said the increase is due to more contractor involvement than anticipated in helping States convert to the SOAP system. A. Lindo had concerns that there is not a limit on costs to help States and whether they should be making changes to their systems without ASC assistance. J. Park responded that there is currently no policy in place on limiting costs to individual States and staff will monitor costs. A. Lindo asked how many States are using the SOAP system and what the total cost has been thus far to help States switch to SOAP. D. Graves responded that approximately eight States use the system. She added that staff has looked at the costs, but comparing costs per State is difficult because each State program is different. Some States have requested special coding be added which ASC staff has denied due to the time and cost. A. Lindo said if the costs exceed the threshold of \$25,000, this may need to be revisited before the August ASC Meeting. J. Park said that assistance to States could be delayed until FY19. R. Taft and M. Hatheway questioned the amount spent thus far on Personnel Benefits. G. Hull responded that he used 25% as a basis for Personnel Benefits for FY18 and that may have been underestimated. A. Lindo requested that ASC staff research the costs for Personnel Benefits and submit the findings to the ASC.

G. Hull reported that three Appraisal Foundation grant reimbursement requests totaling \$122,000 for October – December 2017 were reviewed and approved by ASC staff. The requests covered costs for an ASB Meeting and ongoing work of the AQB and ASB. ASC staff also reviewed and approved three State grant reimbursement requests totaling \$61,000 for October – December 2017. These covered costs for the Level III Investigator training course along with personnel expenses supporting the Investigator Training Program. The course was to be held in September 2017 but was rescheduled due to Hurricane Irma.

ACTION ITEMS

- **February 14, 2018 Open Session Minutes**

R. Taft made a motion to approve the February 14th open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Notation Vote to approve for publication and comment in the *Federal Register* the *Notice of Received Request for a Temporary Waiver***

L. Schuster reported that the notation vote passed by a 7-0 vote on March 5, 2018.

- **Notation Vote on the Information Collection Request (30-day Notice for Comment) for the AMC National Registry**

L. Schuster reported that the notation vote passed 7-0 on April 26, 2018.

- **Reprogramming Request for State Investigator Training Grant**

G. Hull presented the Appraisal Foundation's Reprogramming Request for \$19,980. ASC staff recommends approval of the reprogramming request. If approved in full, there would be an unspent balance of \$38,000. R. Taft asked why the request was submitted so late. A. Lindo suggested that a cut-off date for requests be considered. T. Segerson responded that the request was received after the ASC's February Meeting but agreed that a cut-off date should be considered. A. Lindo asked ASC staff include this in the next financial report so that it can be considered resolved. R. Witt moved for approval of the reprogramming request in the amount of \$19,980. P. Neary seconded and all members present voted to approve.

- **Revisions to ASC Delegations of Authority**

A. Ritter presented the revisions to the Delegations of Authority to facilitate delegation from the Chair to the Vice-Chair if the Chair is unable to act on items within a certain timeframe. After further discussion, R. Witt made a motion to approve the changes as discussed. R. Taft seconded and all members present voted to approve.

- **State Requests for Extension of Implementation Period to establish AMC Program**

J. Park presented the one-year extension requests from Alabama, Alaska, Georgia, Kentucky, Massachusetts, Nevada, New York and Oklahoma. If the ASC approves the requests, FFIEC concurrence would also be necessary. More States are expected to submit extension requests. R. Taft noted that some State legislatures may not act on the proposed legislation until beyond the one-year extension due to their legislative sessions and asked what the result would be if States realize they cannot get the legislation approved in one year. A. Ritter said that those States could either become a non-participating State or a participating State with compliance issues, depending on what the State wants to do. G. Burgess questioned why Alabama submitted an extension request as they already have an AMC program. A. Ritter responded that Alabama requested the extension out of an abundance of caution in case any deficiencies are uncovered. D. Graves said that Alabama's AMC program has not been reviewed so it is unknown if the program is compliant. A. Lindo directed ASC staff to contact Alabama and request further information. J. Park said ASC staff would do so. A. Lindo said that any other requests that are received could be acted on via notation vote or a Special Meeting before the August 10th deadline. R. Witt made a motion to approve the extension requests from Alaska, Georgia, Kentucky, Massachusetts, Nevada, New York and Oklahoma and submit a request to the FFIEC asking for their concurrence. Alabama will be tabled and asked to submit further information before their request will be considered. The FFIEC should also be notified that additional requests are expected. R. Taft seconded and all members approved. A. Lindo asked that Bulletin 2017-02 be attached to the written findings

submitted to the FFIEC. R. Taft asked if the ASC has to disclose which States have been granted extensions. D. Graves responded that ASC staff is planning to include this information on its website. The website will also list which States have AMC programs and which States have opted out. A. Lindo requested that ASC staff submit information to the ASC on the status of AMC programs in States: which States have programs, which have opted out and which were granted extensions. He would like this as a follow-up item for the August ASC Meeting.

- **Selection of ASC Vice Chair**

J. Park said that the Vice-Chair is selected every two years; R. Taft has served as Vice-Chair for the previous two years. R. Taft says he would be willing to continue serving as the Vice-Chair unless another ASC member is interested. After discussion, R. Witt moved that R. Taft continue as the Vice-Chair for an additional two-year period. P. Neary seconded and all members present voted to approve.

The Open Session adjourned at 12:00 p.m. The next ASC Meeting will be August 29, 2018.

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
JUNE 8, 2018**

LOCATION: via teleconference

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
BCFP – Veronica Spicer
FDIC – Marianne Hatheway
FHFA – Robert Witt
HUD – Cheryl Walker
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Policy Manager – Vicki Ledbetter-Metcalf
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: See Attachment

The Meeting was called to order at 10:05 a.m. by A. Lindo.

ACTION ITEMS

- **State Requests for Extension of Implementation Period to Establish AMC Program**

A. Lindo welcomed observers. A. Ritter said that fifteen States have requested a one-year extension: Arkansas, Colorado, Connecticut, Florida, Illinois, Indiana, Maine, Mississippi, New Jersey, North Carolina, Ohio, Rhode Island, Vermont, Washington, and West Virginia. A. Lindo asked A. Ritter to provide an overview of the ASC staff analysis. A.

Ritter responded that staff reviewed the requests to determine whether States had provided evidence of substantial progress towards establishing an AMC Program that appears to conform with Title XI. It was ASC staff's opinion that each of the requests did show evidence of substantial progress and that a one-year extension should be granted to each of the requesting States. R. Taft asked if staff could confirm that the actions proposed by States would bring them into compliance by the August 10, 2019 deadline. J. Park responded that would not be known until a Compliance Review is performed. A. Ritter added that as long as a State has elected to register and supervise AMCs in accordance with the AMC Rule, the statutory restriction would be lifted, even after the August 10, 2019, for AMCs operating in the subject State, regardless of whether the State's AMC Program is fully compliant. T. Segerson used Maine's request as an example and asked if the requesting States that require legislative action are confident that the draft statute will be enacted. D. Graves responded that Maine is hoping for the law to be enacted in a special session later this year. If not, they hope to have it enacted at the next session in January 2019. V. Spicer made a motion to approve the 15 extension requests and the Written Findings with minor technical edits. R. Taft seconded, and all members present voted to approve. R. Taft asked if the FFIEC just has to concur with the ASC's approval or do they have to formally vote on and approve the requests. A. Ritter responded that the FFIEC does have to vote on and approve the requests.

The Meeting adjourned at 10:25 a.m.

ASC Meeting Attendees

June 8, 2018

Affiliation	Name
AMC Settlement Services	Tracey Orgovan
Appraisal Institute	Brian Rodgers
CFPB	Deana Krumhansl
Citibank	Quinn Ryan
Citibank	Gary Schlittler
FDIC	Rich Foley
FDIC	Suzy Gardner
FFIEC	Judith Dupre
FHFA	Ming-Yuen Meyer-Fong
FRB	Gillian Burgess
FRB	Carmen Holly
Fulton Financial Corporation	Kimberly Lake
Great Western Bank	Lori Kramer
IN Dept. of Financial Institutions	Tom Fite
MN Department of Commerce	James Rist
NAR	Sehar Siddiqi
NASCUS	Bryan Knight
NASCUS	Nichole Seabron
New York State Assn. of Realtors	Jared Burns
OCC	Stacy Fluellen
RegReport.Info	Susan Broadus
REVAA	Tom Tilton
Solidifi	Colleen McCafferty
Solidifi	Mark Pawelek
TX Dept. of Savings & Mortgage Lending	Caroline Jones
VA Bureau of Financial Institutions	Joe Face



August 6, 2018

Mr. James Park
Executive Director
Appraisal Subcommittee
Federal Financial Institutions Examination Council
1401 H Street, N.W.
Suite 760
Washington, DC 20005

Dear Jim:

Enclosed is The Appraisal Foundation 2018-2019 Federal Grant Proposal for your review and consideration. We are requesting support in the amount of \$1,010,000 for the period October 1, 2018 through September 30, 2019. Of this total, \$730,000 is for Title XI related expenses of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB) and \$280,000 is for state investigator training.

Key points of our request include:

Appraiser Qualifications Board: After receiving the largest amount of public input in its history, the AQB adopted revisions to the *Criteria* on February 1, 2018, which became effective on May 1, 2018. Updates include:

- Removal of the college-level education requirement for the Licensed Residential classification;
- Establishment of alternatives to the Bachelor's Degree requirement for the Certified Residential classification;
- Creation of an alternative track for competent and ethical Licensed Residential appraisers to move to the Certified Residential classification without satisfying the college-level education requirement; and

- Reduction in the experience hour requirements for the Licensed Residential, Certified Residential, and Certified General classifications.

This action has been well-received by all major stakeholders and the AQB is now working with the state appraiser regulators toward smooth implementation.

The AQB also opted to continue a more rigorous examination of the *Practical Applications of Real Estate Appraisal* (PAREA) concept. This project will be a major focus for 2018-19, and possibly beyond. If adopted, PAREA could allow individuals an alternative method to obtain much of the experience required (perhaps 75%) to obtain a credential, which has been a significant hurdle under the current supervisor/trainee mentorship model. Through the use of on-line simulated properties, trainees could be exposed to an almost unlimited number of valuation conditions.

In addition, the AQB will be updating the National Uniform Appraiser Licensing and Certification Examination.

Appraisal Standards Board: The ASB conducted a comprehensive survey of stakeholders late last year to determine a) what areas of USPAP need further clarification, and b) what emerging issues currently not addressed by USPAP should be included in the next edition of USPAP. Taking that input into consideration, the ASB is currently in the process of issuing a series of exposure drafts for possible revisions to the next edition of USPAP. A major concept being exposed is changing the current two reporting formats to a single list of elements that must be addressed in an appraisal report. The change under consideration would also provide the appraiser with more latitude regarding intended users of the report.

State Investigator Training: The current series of Investigator Training courses receives excellent ratings by attendees, with a combined average score of 4.6 out of 5 in post-program surveys. Likewise, the course instructors receive very high marks, averaging 4.81 on a 5-point scale. Due to this continued success, we propose conducting three course offerings during the 2018-19 grant cycle, one for each of the three levels. Since enrollment in recent years for the upper levels has been below the 50-student capacity, we are reducing the anticipated number of students for two of the three levels. This results in a \$30,000 reduction of the investigator training funding request from the \$310,000 awarded last year.

Mr. James Park
August 6, 2018
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We appreciate the support provided by the Appraisal Subcommittee over the years and look forward to our meeting later this month. In the meantime, please do not hesitate to contact Edna Nkemngu, Director of Finance and Administration or me, should you have any questions about our proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Bunton". The signature is written in a cursive style with a long horizontal stroke at the end.

David S. Bunton
President

Enclosure



THE APPRAISAL FOUNDATION

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

2018-2019 Grant Proposal

Appraisal Subcommittee
1401 H. Street, NW, Suite 760
Washington, DC 20005

August 6, 2018

**THE APPRAISAL FOUNDATION
2018-2019 GRANT PROPOSAL
TO
THE APPRAISAL SUBCOMMITTEE**

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**THE APPRAISAL FOUNDATION
FEDERAL GRANT PROPOSAL
OCTOBER 1, 2018 THROUGH SEPTEMBER 30, 2019**

STATEMENT OF WORK

INTRODUCTION

The Appraisal Foundation is pleased to have been the recipient of Federal grants which have assisted in funding many of the programs of the Appraisal Standards Board and the Appraiser Qualifications Board over the past twenty-seven years.

During this time of rapid development and change in the appraisal profession and in appraisal regulation, The Appraisal Foundation has matured into an objective, representative organization that interacts with all sectors of the market impacted by appraisal.

The Appraisal Foundation appreciates the opportunity to submit this 2018-2019 grant proposal to the Appraisal Subcommittee.

STATEMENT OF WORK - THE APPRAISER QUALIFICATIONS BOARD

BACKGROUND:

Under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience and examination requirements for real property appraisers to obtain a state license or certification.

This authority was expanded by the enactment of the Dodd-Frank Financial Reform Act in July of 2010. States having a Licensed Residential category must, at a minimum, meet the AQB qualification criteria. The same is true of states with a Trainee category. In addition, any guidance issued by the AQB relating to Supervisory Appraisers must be adhered to by the states.

The AQB is currently engaged in the implementation and monitoring of the following grant-funded endeavors:

- I. *The Real Property Appraiser Qualification Criteria*
- II. *The National Uniform Licensing and Certification Examinations*

The AQB also performs ancillary duties related to real property and produces personal property appraiser qualifications. Although they are not currently funded by the grant, they are being provided for informational purposes.

- I. *The Program to Improve USPAP Education*
- II. *The Course Approval Program*
- III. *The University Degree Review Program*
- IV. *The Personal Property Qualification Criteria*

Following is the AQB business plan for the 2018-19 time frame.

MAJOR ISSUES FOR THE BOARD

I. *Real Property Appraiser Qualification Criteria (Criteria)*

As reported previously, the AQB adopted the following revisions to the *Criteria* on February 1, 2018, which became effective on May 1, 2018:

- Removal of college-level education requirement for the Licensed Residential classification;
- Alternatives to the Bachelor's Degree requirement for the Certified Residential classification;

- Creation of an alternative track for competent and ethical Licensed Residential appraisers to move to the Certified Residential classification without satisfying the college-level education requirement; and
- Revisions to the experience requirements for the Licensed Residential, Certified Residential, and Certified General classifications.

The AQB also opted to continue a more vigorous examination of the *Practical Applications of Real Estate Appraisal* (PAREA) concept, which will be a major focus for 2018-19, and possibly beyond. If adopted, PAREA could allow individuals an alternative method to obtain much of the experience required (perhaps 75%) to obtain a credential, which has been a significant hurdle under the current supervisor/trainee mentorship model. Through the use of on-line simulated properties, trainees could be exposed to an almost unlimited number of valuation issues.

In addition to PAREA, the AQB will continue assisting appraisers, users of appraisal services, education providers, state appraiser regulatory agencies, and others with properly understanding the May 1, 2018 *Criteria* changes.

II. *National Uniform Licensing and Certification Examinations*

As reported in prior business plans, the *National Uniform Licensing and Certification Examinations* were implemented on January 1, 2008, in conjunction with the updated (2008) *Criteria*.

As with prior years, the Board will again oversee drafting of additional exam questions by its ongoing groups of Subject Matter Experts (SMEs). The Board meets face-to-face with its SMEs and exam consultant every two years. The next face-to-face meeting will occur in 2019.

New forms of the exam for each classification are put into use on January 1 each year.

III. *Program to Improve USPAP Education*

To improve the quality and uniformity of USPAP education, the AQB requires the following:

- All applicants for a credential are required to successfully complete the 15-hour *National USPAP Course* (or its equivalent), taught by an AQB Certified USPAP Instructor who is also a state-certified appraiser in good standing.
- All currently licensed and certified appraisers are required to complete the 7-hour *National USPAP Update Course* (or its equivalent) every two years. This course must also be taught by an AQB Certified USPAP Instructor who is also a state-certified appraiser in good standing.

As in prior years, the AQB continues to monitor and improve this program. The focus of the Board for 2018-19 will include the following:

- Continue to monitor and improve procedures that ensure AQB Certified USPAP Instructors are meeting contractual commitments. Understanding and complying with these commitments represents a significant portion of the complaints received about Instructors.
- Continue activities as *The Program to Improve USPAP Education's* controlling authority. This includes making policy decisions and serving as the appellate body for any disputes that arise regarding instructor applications, instructor conduct, examination issues, and other administrative issues.
- After adoption of any changes to USPAP by the Appraisal Standards Board (ASB) in early 2019, the AQB will work with the ASB to ensure the Instructor Recertification Course and Instructor Certification Course are updated by the required deadlines.

IV. Course Approval Program

The AQB will continue to administer the Course Approval Program in 2018-19. This program reviews and approves USPAP equivalent courses as well as appraisal courses and seminars for both qualifying and continuing education. As of July 31, 2018, there are over 300 qualifying and continuing education courses approved through CAP.

V. University Degree Review Program

The AQB will continue to evaluate graduate and undergraduate degree programs in real estate to determine the applicability of the courses towards the Required Core Curriculum contained in the *Real Property Appraiser Qualification Criteria*.

To date, the Board has evaluated and approved a total of nine undergraduate college and university programs. Six graduate programs have been reviewed and approved. Additional schools are currently being reviewed.

VI. The Personal Property Appraiser Qualification Criteria

The *Personal Property Appraiser Qualification Criteria* is a voluntary set of criteria, except for personal property appraisers who are members of sponsoring organizations of The Appraisal Foundation.

As reported in prior business plan documents, the *Personal Property Criteria* became effective on January 1, 2018. The Board will be responsive to any questions or issues that arise as a result.

VII. Veterans Outreach

On November 30, 2017, the Appraisal Subcommittee wrote the Foundation and encouraged us, and in particular the AQB, to explore opportunities to bring military service veterans into a career in real estate appraisal following their military service. The Board of Trustees fully endorsed this idea and appointed a Veterans Outreach Task Force, which includes a member of the AQB. We have met with numerous service organizations as well as the Department of Veterans Affairs.

2018-19 MEETING SCHEDULE

Beginning this year, all public meetings of the AQB are being live steamed. This has resulted in at least a tenfold increase in the number of individuals observing the meetings. In addition to the meetings shown below, if additional meetings are deemed necessary, the Board will schedule such meetings (including offering alternative formats, such as webinars) when necessary.

September 27-28, 2018	Raleigh, North Carolina
May 2-3, 2019	Denver, Colorado (held in conjunction with the Spring meeting of the Association of Appraiser Regulatory Officials)
Fall 2019	TBD

In addition to the meetings identified above, the Board will conduct monthly conference call meetings in the months where it does not otherwise meet.

2018/2019 AQB DELIVERABLES

The following deliverables will be made available to the Appraisal Subcommittee as the result of the Appraiser Qualifications Board's efforts:

- Meeting announcements and preliminary agendas
- Approved minutes of all meetings of the Board
- AQB Q & A's
- Executive Summaries of all meetings of the Board
- Exposure drafts of proposed Interpretations

- Exposure drafts and any adopted changes to the *Real Property Appraiser*

Qualification Criteria.

-All documents associated with the development and administration of the state examinations.

STATEMENT OF WORK - THE APPRAISAL STANDARDS BOARD

BACKGROUND:

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 mandated that, with regard to federally related transactions, "real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of The Appraisal Foundation."

This authority was expanded by the enactment of the Dodd-Frank Financial Reform Act in July of 2010. Federal financial institutions regulatory agencies rulemaking relating to appraisal standards must now include that "such appraisals shall be subject to appropriate review for compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP)."

The Appraisal Standards Board (ASB) adopted USPAP at its first meeting in January 1989. These Standards are periodically reviewed and updated to reflect the evolving needs of the marketplace and the regulatory community.

In addition to the Standards, the ASB also issues non-binding guidance in the form of Advisory Opinions and Frequently Asked Questions.

RESPONSIBILITIES:

The Appraisal Standards Board (ASB) is charged with two main functions:

1. Write, edit, publish, and interpret the *Uniform Standards of Professional Appraisal Practice* (USPAP); and
2. Provide educational materials for practitioners, users of appraisal services, regulators and the public on USPAP.

**2018-2019 BUSINESS PLAN
FOR THE
APPRAISAL STANDARDS BOARD**

I. USPAP Issues to be Addressed

On February 3, 2017, the ASB adopted revisions for the 2018-19 edition of USPAP. The Board incorporated those revisions into USPAP, the Advisory Opinions and *Frequently Asked Questions*, and the 2018-19 edition of USPAP was available to the public by the October 1, 2017 deadline.

To assist in determining what changes, if any, are appropriate for the 2020-21 edition of USPAP, the Board issued a survey to 500 key stakeholders in early September 2017, containing a list of potential areas for revision, along with background and rationale to support consideration of the issues.

Using responses from the survey, the Board published a Discussion Draft document on January 30, 2018, asking for feedback on potential revisions to the following areas of USPAP:

- Reporting Options
- Scope of Work Rule
- Comments in Standards Rules
- Definitions
- Review of Advisory Opinions
- Other edits to improve clarity and enforceability of USPAP

The Board accepted written comments on the Discussion Draft through April 6, as well as verbal comments at its public meeting on April 20.

After carefully examining the feedback received from the Discussion Draft, the ASB issued its First Exposure Draft of Proposed Changes for the 2020-21 edition of USPAP on May 22, accepting written comments through July 15. The ASB intends to publish the Second Exposure Draft in mid-August, with additional exposure drafts to follow as needed. This exposure and comment period will run through 2018, with the adoption of any changes occurring in early 2019. Changes for the 2020-21 edition of USPAP will be adopted in early 2019. USPAP and the related courses will be available to the public by October 1, 2019.

A significant issue that faces the Board (as well as The Appraisal Foundation) is the frequency of change in USPAP. Based on feedback from the Board's constituents, it is envisioned that USPAP will change from a two-year cycle to a four-year cycle in the

future. The precise timing of this change remains uncertain; however, planning and preparation are currently being evaluated.

II. USPAP Document

In addition to incorporating any adopted revisions in the applicable portions of USPAP, the Board will also need to update the Advisory Opinions and *Frequently Asked Questions*.

USPAP Frequently Asked Questions

- Collect and prepare any published USPAP Q&As for the *Frequently Asked Questions* section of the 2020-21 USPAP publication
- Remove FAQs from the 2018-19 edition that are no longer applicable
- Revise or update other FAQs as appropriate

USPAP Promulgation

- Write USPAP Q&As for publication on an as-needed basis
- Issue other communications regarding the 2018-19 edition of USPAP
- On a daily basis provide answers to USPAP questions addressed to the Board/staff via telephone, email, fax, or regular mail

III. USPAP Education

In addition to making revisions for the 2018-19 USPAP document, the Board also updated the USPAP content for various educational offerings. After adoption of any revisions for the 2020-21 edition of USPAP in early 2019, the Board will:

- Provide instructors for a Spring 2020 offering of the Instructor Certification Course.
- Ensure reviewers are available for 7- and 15-Hour National USPAP Course equivalency review.
- Provide an ASB representative to participate in the Instructor Disciplinary Review Panel.
- Identify and address other areas where there is a demand for USPAP related education, including webinars hosted by TAF.

IV. Outreach

- Report to and meet with the standing committees of TAFAC and IAC on matters related to USPAP

- Provide speakers and programs for special events, as requested, for state appraiser regulatory agencies, professional appraiser organizations, educational providers, etc.
- Provide direct and immediate feedback to all individuals who contact the Board with questions and/or comments.

V. Additional Responsibilities

The Board will also continue to perform ancillary services such as:

- *Investigator Training Course*
 - Review TAF/AARO investigator training courses for USPAP accuracy, prior to completion
- *AQB National Examinations*
 - Continue to assist AQB in evaluating USPAP questions for the examination test question bank
- *International Valuation Standards Committee (IVSC)*
 - The Board will continue to work with the IVSC to evaluate international valuation standards

2018-19 MEETING SCHEDULE

Beginning this year, all public meetings of the ASB are being live streamed. This has resulted in at least a tenfold increase in the number of individuals observing the meetings. The following meetings are currently scheduled for the Board:

October 18-19, 2018	Washington, DC (in conjunction with IAC and AARO)
Early 2019	TBD
October 17-18, 2019	Washington, DC (in conjunction with IAC and AARO)

In addition to the meetings identified above, the Board will conduct monthly conference call meetings in the months where it does not otherwise meet.

2018-19 DLIVERABLES

The following deliverables will be made available to the Appraisal Subcommittee as the result of the Appraisal Standards Board's efforts:

- Meeting announcements and preliminary agendas
- Approved minutes of all meetings of the Board
- Executive Summaries of all meetings of the Board
- Position papers and white papers emanating from any "Work Group" process
- Exposure drafts of proposed Standards Revisions and Statements
- Advisory Opinions approved
- Standards Revisions adopted
- USPAP Q&As
- All Documents sent to The Appraisal Foundation Advisory Council and the Industry Advisory Council.

FOUNDATION PROJECTS TO IMPROVE

THE REAL PROPERTY APPRAISER REGULATORY SYSTEM

The Appraisal Foundation continues to have a good working relationship with state appraiser regulators and the Association of Appraiser Regulatory Officials (AARO). The Foundation continues to participate in the programs of the AARO Spring and Fall Conferences.

State Investigator Training

The Appraisal Foundation (Foundation) and the Association for Appraiser Regulatory Officials (AARO) are committed to continuing joint efforts to train state regulators. On July 20, 2017, the organizations renewed and signed the Memorandum of Understanding for the *Collaboration for Appraiser Regulator Training (CART)* agreement covering the next three years.

Since 2009, under the guidance of a joint Foundation-AARO steering committee, we have conducted 29 State Investigator Training Course offerings attended by more than 1022 attendees (state investigators, attorneys, administrative/support staff, and board members). 524 attendees have taken Level I, 344 have taken Level II, and 154 have taken the Level III course that was added as an offering in 2014^[1]. 54 of the 55 jurisdictions that regulate appraisers have participated in at least one Level I course, 51 have participated in at least one Level II course, and 39 have participated in at least one Level III course. (Appendix II)

Since 2017, all three levels have been held in Tampa, Florida. The hotel in Tampa meets all training site requirements including a safe location, hotel rooms at government per diem rates, great meeting spaces, affordable lunch options, close proximity to the airport and restaurants, and a very attentive hotel staff. The student evaluations reflect a high rating for the location and the hotel. The hotel was great to work with when disaster struck. The originally scheduled Level 3 training in Tampa on September 11-13, 2017 was rescheduled for December 3-5, 2017 due to Hurricane Irma. The 2019 site selection process will take seasonal weather activity into consideration.

Breakout sessions were added to the Level II and III courses in 2017. Designed to satisfy the attendees' requests for more case studies, real life examples, and discussions, the breakout sessions gave smaller groups more interactive time with each other in facilitated study. The breakouts remained a feature in 2018 and continue to receive high

^[1] The 2018 Level III course is scheduled for August 27-29, 2018. There are 22 students from 14 states registered to attend.

ratings from attendees and instructors in post-course surveys. From the comments received:

- *Networking with other regulatory officials was excellent.*
- *Open dialogue with participants was very helpful. I liked learning how investigators in other jurisdictions perform investigations.*
- *Really like the charts matrix, USPAP book, hands on and practical items that I can take back with me to be used in my investigations. Also enjoy the decision from other state investigators/representatives*

In 2018, the courses continue to be led by a team of two instructors. The instructor team meets prior to the beginning of each course to prepare and determine which sections each will lead as well as the logistics for the breakout sessions. Instructors continue to receive very high scores in post-course student surveys. The average instructor score is 4.81 on a 5-point scale.

As the program matures, we will continue to review data and survey information and accordingly make adjustments. An area of adjustment needed in the upcoming grant cycle is in the amount of funding requested. After a surge in attendees over the last couple of years, program attendance is beginning to level off. In 2018, the Level II and Level III attendee numbers have declined, and therefore we are budgeting for 40 instead of 50 attendees for those levels in 2019. As state reimbursement for attendee travel is the primary driver of the cost for investigator training, the 2019 grant request is significantly less.

With the end of the first decade of the Investigator Training program upon us, the Foundation with the encouragement of the Appraisal Subcommittee, is seeking the insight of a professional trained in instructional design. An instructional designer reviews course delivery mechanisms, information sequences, and overall course design through the lens of optimizing student learning. In that regard, David Layne, an experienced and trained instructional designer, will attend the Level III course in August of 2018. He will then provide his observations and suggestions to the Steering Committee. The 2019 grant proposal includes funding should his recommendation be that updates to the courses would make the training more robust and effective.

The success of the Investigator Training program is manifested through the collaborative efforts of the Foundation, AARO and the Appraisal Subcommittee. With this program, a corps of hundreds of people from across the country have been professionally trained and armed with the knowledge needed to increase consistency in enforcement.

Attached please find two documents:

- A listing of all of the investigator training sessions conducted over the past ten years. (Appendix I)
- An historical state-by-state breakdown of attendees. (Appendix II)

While not part of this grant request, the following is being provided for informational purposes:

Corrective Education

Initially referred to as “remedial” education, a survey of state appraiser regulators indicated that the preferred term is “corrective” education. We have four courses that have been developed:

- Scope of Work: Appraisals and Inspections
- Appraiser Self-Protection: Documentation and Record Keeping
- Report Certifications: What Am I Signing and Why?
- Residential Report Writing vs Form Filling

These four-hour online courses are available for purchase via the Foundation website and are not eligible for continuing education credit. To date, about 20 state appraiser regulatory agencies have used this disciplinary option.

We are currently surveying state appraiser regulators to identify topics for additional courses.

Consistent Enforcement Task Force

In 2009, The Appraisal Foundation established a Consistent Enforcement Task Force. The charge of this Task Force was to consider the need for developing a set of voluntary disciplinary guidelines for use by State Appraiser Regulatory Agencies when enforcing the *Uniform Standards of Professional Appraisal Practice* (USPAP).

A *Voluntary Disciplinary Action Matrix* was developed in August 2010 for use by state appraiser regulatory agencies. A copy of the document is available on our website and has been updated to reflect the 2018 edition of USPAP.

Foundation YouTube Channel

The Appraisal Foundation has produced a series of video training sessions, some designed specifically for state appraiser regulators and others for all appraisers. We

have videos entitled “2018-2019 USPAP Update for State Appraiser Regulators” and “A Mock Administrative Law Hearing” which were both recorded at AARO Conferences.

Other videos include:

- Understanding the Real Property Appraiser Regulatory System
- The AQB Real Property Appraiser Qualification Criteria Changes Effective 2015
- The Responsibilities of the Appraisal Practices Board
- An Introduction to Green Buildings and Their Valuation.

KEY PERSONNEL:

Adam Johnston, Chair, Board of Trustees:

Adam Johnston is the Chief Appraiser and Director of Investigations, Appraisals & Ops Shared Services of Genworth Financial in Raleigh, North Carolina.

As Chief Appraiser of the U.S. Mortgage Insurance operations of Genworth Financial, Adam leads a team of licensed appraisers in providing quality assurance and subject matter expertise to all functions of U.S. Mortgage Insurance Operations. In addition, he leads functional teams that provide fraud/compliance investigation, project management, process improvement, and policies & procedures documentation services across Genworth's U.S. Mortgage Insurance organization. Prior to Genworth, Adam's roles include serving as a Chief Appraiser of a national settlement services company, owning a small appraisal firm, and working for a regional bank as a staff appraiser.

Adam is a frequent speaker at mortgage events, he also teaches courses for loan officers and underwriters.

Adam holds the SRA designation and the AI-RRS Review designation with the Appraisal Institute.

David S. Bunton, President:

Mr. Bunton has served as the senior staff member of The Appraisal Foundation since May of 1990. As President, he is the chief executive officer of the Foundation. Prior to joining The Appraisal Foundation, he served as the Vice President of Government Affairs and Communications for the Federal Asset Disposition Association. He also previously served as a legislative assistant in the United States Senate for eight years and was a Congressional Chief of Staff in the United States House of Representatives for four years.

Mr. Bunton holds a BA degree in Government and Politics from the University of Maryland.

Maggie Hambleton, Chair, Appraisal Standards Board:

Maggie is president of Hambleton, Inc., a real property appraisal firm in Columbus, OH. She has been in practice for over 40 years, specializing in the valuation of residential properties, with an emphasis on litigation support. She holds the SRA designation from the Appraisal Institute. Her clients include banks, attorneys, city, county, state and federal agencies, and individuals.

She is a past member of the Ohio Real Estate Appraisal Board from November 2001 through June 2009, serving as its chair in 2006, 2008 and 2009. In addition to her daily appraisal practice, she is an AQB Certified USPAP Instructor, and has been active in

teaching appraisal courses on a national level. She has been involved in education for appraisers for over 30 years, writing courses and assisting in the development of curriculum for the certification programs for appraisers. She has served as a developer for both the 7-Hour and 15-Hour USPAP courses since 2006. Mrs. Hambleton currently serves as chair of the Appraisal Standards Board (ASB) of The Appraisal Foundation, and is in her sixth year as a member of the ASB.

Mark A. Lewis, Chair, Appraiser Qualifications Board:

Mark A. Lewis, ARA, RPRA has been engaged in real estate appraisals and consultation since 1984. Mark began his appraisal career as a contract appraiser for Dickerson-Seely & Associates, Inc., a full service appraisal firm in Lufkin, Texas. Today he and Scott Seely own and manage the firm, now known as Lewis & Seely Appraisals, Inc.

Mark joined the American Society of Farm Managers and Rural Appraisers (ASFMRA) in 1996 and earned his ARA designation in 1999 and his RPRA designation in 2014. He has served ASFMRA as President of the Texas Chapter, Chair of the Appraisal Education/Accreditation Committee, and District V Experience Review Chairman. In 2007, he was awarded the H. E. "Bulk" Stalcup Excellence in Education Award by ASFMRA. He is presently Vice-Chair of the Appraiser Qualifications Board (AQB) of The Appraisal Foundation. On a local level, he has also served as President of the Lufkin Multiple Listing Service and Chair of the Grievance Committee for the Lufkin Association of Realtors.

Mark has been lead instructor for many of ASFMRA's core courses and was actively involved in the writing and design of the current Cost, Sales Comparison, and Income Approach courses. He has also taught and authored many seminars on various subjects through the years and is an AQB Certified USPAP Instructor.

John S. Brennan, Director of Appraisal Issues

Prior to his current position, John spent 8 years as the Chief of Licensing and Enforcement for the California Office of Real Estate Appraisers (OREA). In that role, John administered the California real estate appraiser licensing program, issuing licenses to applicants that met both federal and state requirements. John was also responsible for the enforcement program; educating and/or disciplining licensees who violated law, regulations or USPAP.

John has been in the appraisal profession for over 30 years. Prior to joining OREA in February 1995, he appraised both residential and non-residential real estate, covering a wide variety of property types. He also previously managed an appraisal department for a major national financial institution. John is a Certified General appraiser and an AQB Certified USPAP Instructor.

A native Californian, John relocated from southern California to the Sacramento area in 1991. He holds a bachelor's degree in business administration from California State University, Long Beach, and an associate degree in business administration from El Camino Community College in Torrance.

Kelly Davids, Vice President

Kelly Davids assists in managing the day-to-day operations of the Foundation, leading special projects and focusing on strategic initiatives. Prior to joining the Foundation, Davids was Superintendent of the Ohio Division of Real Estate & Professional Licensing, the chief regulator for Ohio's appraisers. Her experience includes working in senior-level positions for two Ohio Governors and serving multiple terms in elected office. Davids holds a Master's degree in Public Policy and Management from The Ohio State University.

Edna Nkemngu, Director of Finance and Administration:

Ms. Nkemngu has been part of The Appraisal Foundation since 2006 when she started as the Foundation's Staff Accountant. Prior to serving at The Foundation, Ms. Nkemngu worked as an accountant for a sole proprietorship. She holds a BS in Accounting from the University of Buea in Cameroon, an MSc. in Accounting and Information Technology from the University of Maryland University College and is a Certified Public Accountant licensed by the Commonwealth of Virginia.

CONCLUSION:

The Appraisal Foundation sincerely appreciates the financial support we have received from the Appraisal Subcommittee. Grant funds supporting the work of the Boards provide invaluable assistance and contribute greatly to the Foundation's ability to effectively serve the public. We are confident that the work of the Foundation supported by the 2018-19 grant will be well received and will provide important assistance to appraisers, regulators, users of appraisal services and consumers.

Grant Application Budget Worksheet Summary

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005	October 1, 2018 - September 30, 2019			
Budget Category	AQB	ASB	INVESTIGATOR TRAINING	Total Budget Estimate
Personnel (Direct Labor)	\$68,280	\$115,414	\$25,252	\$208,946
Travel	\$76,020	\$61,380	\$177,540	\$314,940
Consultants	\$76,850	\$45,900	\$28,000	\$150,750
Contracts and Sub-Grants	\$50,000	\$0	\$0	\$50,000
Other Direct Costs	\$17,666	\$5,462	\$19,924	\$43,052
Indirect Costs **	\$79,184	\$133,844	\$29,284	\$242,312
Total:	\$368,000	\$362,000	\$280,000	\$1,010,000

Grant Application Detailed Budget Worksheet

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005		October 1, 2018 - September 30, 2019	
Category: Appraiser Qualifications Board			
1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	70	\$133.33	\$9,333
Director of Appraisal Issues	275	\$84.36	\$23,199
Qualifications Board Manager	825	\$43.33	\$35,747
Total Direct Labor Cost			\$68,280
2. AV Rental For Meetings			Estimated Cost
Included in Board Travel/Meeting Costs			\$0
Total AV Rental for Meetings			\$0
3. Travel			
3a. Transportation - Airfare	Trips	Fare	Estimated Cost
May 2019 Board Meeting - 8 Members + 5 Staff	13	\$500.00	\$6,500
Certified General Subject Matter Expert Meeting	7	\$500.00	\$3,500
Certified Residential Subject Matter Expert Meeting	7	\$500.00	\$3,500
Licensed Residential Subject Matter Expert Meeting	7	\$500.00	\$3,500
Chair Travel to two 3-Day BOT Meetings	2	\$500.00	\$1,000
Chair Travel to 2 IAC Meetings	2	\$500.00	\$1,000
Chair Travel to 2 TAFAC Meetings and 1 joint IAC/TAFAC meeting	3	\$500.00	\$1,500
Board Member travel to six 1-day Speaking Engagements	6	\$500.00	\$3,000
Board Member travel for University Degree Program Reviews two for 3 Trips	6	\$500.00	\$3,000
Board Member travel for three Exam Site Visits	3	\$500.00	\$1,500
Subtotal - Transportation - Airfare			\$28,000
3b. Per Diem or Subsistence	Days	Rate per Day	Estimated Cost
May 2019 Board Meeting - 8 Members + 5 Staff	39	\$260.00	\$10,140
Certified General Subject Matter Expert Meeting	7	\$260.00	\$1,820
Certified Residential Subject Matter Expert Meeting	7	\$260.00	\$1,820
Licensed Residential Subject Matter Expert Meeting	7	\$260.00	\$1,820
Chair Travel to two 3-Day BOT Meetings	6	\$260.00	\$1,560
Chair Travel to 2 IAC Meetings	2	\$260.00	\$520
Chair Travel to 2 TAFAC Meetings and 1 joint IAC/TAFAC meeting	3	\$260.00	\$780
Board Member travel to six 1-day Speaking Engagements	6	\$260.00	\$1,560
Board Member travel for University Degree Program Reviews two for 3 Trips	6	\$260.00	\$1,560
Board Member travel for three Exam Site Visits	3	\$260.00	\$780
Subtotal - Per Diem or Subsistence			\$20,020
3c. Meeting Costs - Hotel Charges	Quantity	Unit Cost	Estimated Cost
May Board Meeting - 8 Members + 5 Staff	1	\$9,000.00	\$9,000
Certified General Subject Matter Expert Meeting	1	\$3,000.00	\$3,000
Certified Residential Subject Matter Expert Meeting	1	\$3,000.00	\$3,000
Licensed Residential Subject Matter Expert Meeting	1	\$3,000.00	\$3,000
Audio/Visual Rental for 4 Meetings	4	\$2,500.00	\$10,000
Subtotal - Meeting Costs			\$28,000
Total Travel Cost			\$76,020

Grant Application Detailed Budget Worksheet

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005		October 1, 2018 - September 30, 2019		
Category: Appraiser Qualifications Board				
4. Consultants				
	Days	Rate per Day	Estimated Cost	
Board Chair	100	\$75.00	\$7,500	
Board Members - Criteria	600	\$75.00	\$45,000	
Board Members - Degree Review Program	100	\$75.00	\$7,500	
Board Members - Exam Meetings	58	\$75.00	\$4,350	
Subject Matter Experts for Exam Development			\$10,000	
Subject Matter Experts for Exam Development - 500 Questions @ \$5.00 each			\$2,500	
			\$0	
Total Consultants Cost			\$76,850	
5. Contracts and Sub-Grantees (List individually)				
	Quantity	Unit Cost	Estimated Cost	
Exam Psychometric Consultant			\$50,000	
Total Subcontracts Cost			\$50,000	
6. Other Direct Costs				
	Quantity	Unit Cost	Estimated Cost	
Office Supplies			\$4,000	
Postage & Delivery			\$166	
Printing - Criteria Booklets			\$10,000	
Legal			\$3,000	
Dues, Subscriptions, Registrations			\$500	
Total Other Direct Costs			\$17,666	
Subtotal of Direct Costs			\$288,816	
7. Indirect Costs				
	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	Fringe	29.40%	\$68,280.35	\$20,074
Calculated on Labor Costs	Overhead	66.90%	\$88,354.77	\$59,109
Total Indirect Costs				\$79,184
Total Estimated Costs (Subtotal Direct + Total Indirect)				\$368,000

Summary of AQB Estimated Costs	Estimated Cost
Personnel (Direct Labor)	\$68,280
Travel	\$76,020
Consultants	\$76,850
Contracts and Sub-Grants	\$50,000
Other Direct Costs	\$17,666
Indirect Costs	\$79,184
Total:	\$368,000

Grant Application Detailed Budget Worksheet

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005		October 1, 2018 - September 30, 2019	
Category: Appraisal Standards Board			
1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	70	\$133.33	\$9,333
Director of Appraisal Issues	700	\$84.36	\$59,052
Standards Board Manager	1,310	\$35.90	\$47,029
Total Direct Labor Cost			\$115,414
2. AV Rental For Meetings			Estimated Cost
Included in Board Travel/Meeting Costs			\$0
Total AV Rental for Meetings			\$0
3. Travel			
3a. Transportation - Airfare	Trips	Fare	Estimated Cost
October 2018 Board Meeting - 8 Members + 5 Staff	13	\$500.00	\$6,500
1st Qtr 2019 Board Meeting - 8 Members + 5 Staff	13	\$500.00	\$6,500
Chair Travel to two 3-Day BOT Meetings	2	\$500.00	\$1,000
Chair Travel to 1 IAC Meeting (2 included in ASB travel)	1	\$500.00	\$500
Chair Travel to 2 TAFAC Meetings and 1 joint IAC/TAFAC meeting	3	\$500.00	\$1,500
Board Member travel to six 1-day Speaking Engagements	6	\$500.00	\$3,000
Subtotal - Transportation - Airfare			\$19,000
3b. Per Diem or Subsistence	Days	Rate per Day	Estimated Cost
October 2018 Board Meeting - 8 Members + 5 Staff	39	\$260.00	\$10,140
1st Qtr 2019 Board Meeting - 8 Members + 5 Staff	39	\$260.00	\$10,140
Chair Travel to two 3-Day BOT Meetings	6	\$260.00	\$1,560
Chair Travel to 1 IAC Meeting (2 included in ASB travel)	1	\$260.00	\$260
Chair Travel to 2 TAFAC Meetings and 1 joint IAC/TAFAC meeting	3	\$260.00	\$780
Board Member travel to six 1-day Speaking Engagements	6	\$260.00	\$1,560
Subtotal - Per Diem or Subsistence			\$22,880
3c. Meeting Costs - Hotel Charges	Quantity	Unit Cost	Estimated Cost
October 2018 Board Meeting - 8 Members + 5 Staff	1	\$6,000.00	\$6,000
1st Qtr 2019 Board Meeting - 8 Members + 5 Staff	1	\$6,000.00	\$6,000
Audio/Visual	2	\$3,750.00	\$7,500
Subtotal - Meeting Costs			\$19,500
Total Travel Cost			\$61,380

Grant Application Detailed Budget Worksheet

The Appraisal Foundation
1155 15th Street, N.W. Suite 1111
Washington, DC 20005

October 1, 2018 - September 30, 2019

Category: Appraisal Standards Board

4. Consultants	Days	Rate per Hour/Review	Estimated Cost	
Board Chair	112	\$75.00	\$8,400	
Board Members	500	\$75.00	\$37,500	
Total Consultants Cost			\$45,900	
5. Contracts and Sub-Grantees (List individually)	Quantity	Unit Cost	Estimated Cost	
Total Subcontracts Cost			\$0	
6. Other Direct Costs	Quantity	Unit Cost	Estimated Cost	
Legal			\$2,000	
Postage & Delivery			\$1,000	
Printing			\$1,500	
Office Supplies			\$462	
Dues, Subscriptions, Registrations			\$500	
Total Other Direct Costs			\$5,462	
Subtotal of Direct Costs			\$228,156	
7. Indirect Costs	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	Fringe	29.40%	\$115,414.10	\$33,932
Calculated on Labor Costs	Overhead	66.90%	\$149,345.85	\$99,912
Total Indirect Costs				\$133,844
Total Estimated Costs (Subtotal Direct + Total Indirect)				\$362,000

Summary of ASB Estimated Costs	Estimated Cost
Personnel (Direct Labor)	\$115,414
Travel	\$61,380
Consultants	\$45,900
Contracts and Sub-Grants	\$0
Other Direct Costs	\$5,462
Indirect Costs	\$133,844
Total:	\$362,000

Grant Application Detailed Budget Worksheet

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005	October 1, 2018 - September 30, 2019		
Category: Investigator Training			
1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	45	\$133.33	\$5,933
Steering Committee/Oversight (VP)	65	\$84.62	\$5,458
Steering Committee/Oversight (Director of Appraisal Issues)	30	\$84.36	\$2,531
Director of Publications	29	\$50.26	\$1,458
Standards Board Program Manager	275	\$35.90	\$9,873
Total Direct Labor Cost			\$25,252
2. AV Rental For Meetings			Estimated Cost
Included in hotel charges			\$0
			\$0
			\$0
Total AV Rental for Meetings			\$0
3. Travel			
3a. Transportation - Airfare	Trips	Fare	Estimated Cost
Investigator Training Session	53	\$600.00	\$31,800
Investigator Training Session	43	\$600.00	\$25,800
Investigator Training Session (50 students level I, 40 students Levels II and III, 2 instructors and 1 staff person)	43	\$600.00	\$25,800
Subtotal - Transportation - Airfare			\$83,400
3b. Per Diem or Subsistence	Quantity	Rate per Day	Estimated Cost
Investigator Training Session (3 days)	53	\$260.00	\$13,780
Investigator Training Session (3 days)	43	\$260.00	\$11,180
Investigator Training Session (3 days) (50 students level I, 40 students Levels II and III, 2 instructors and 1 staff person)	43	\$260.00	\$11,180
Subtotal - Per Diem or Subsistence			\$36,140
3c. Meeting Costs - Hotel Charges	Quantity	Unit Cost	Estimated Cost
Investigator Training Session	1	\$16,000.00	\$16,000
Investigator Training Session	1	\$13,500.00	\$13,500
Investigator Training Session	1	\$13,500.00	\$13,500
Audio/Visual Rental for 3 Sessions	3	\$5,000.00	\$15,000
Subtotal - Meeting Costs			\$58,000
Total Travel Cost			\$177,540

Grant Application Detailed Budget Worksheet

The Appraisal Foundation
1155 15th Street, N.W. Suite 1111
Washington, DC 20005

October 1, 2018 - September 30, 2019

Category: Investigator Training

4. Consultants	Days	Rate per Day	Estimated Cost	
Facilitators for 3 Classes	6	\$3,000.00	\$18,000	
Instructional design and update to existing courses			\$10,000	
Total Consultants Cost			\$28,000	
5. Contracts and Sub-Grantees (List individually)	Quantity	Unit Cost	Estimated Cost	
Total Subcontracts Cost			\$0	
6. Other Direct Costs	Quantity	Unit Cost	Estimated Cost	
Printing of Training Materials	140	120	\$16,800	
Mailing of Training Materials	140		\$3,124	
Total Other Direct Costs			\$19,924	
Subtotal of Direct Costs			\$250,716	
7. Indirect Costs	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	Fringe	29.40%	\$25,252.02	\$7,424
Calculated on Labor Costs	Overhead	66.90%	\$32,676.11	\$21,860
Total Indirect Costs				\$29,284
Total Estimated Costs (Subtotal Direct + Total Indirect)				\$280,000

Summary of Investigator Training Estimated Costs	Estimated Cost
Personnel (Direct Labor)	\$25,252
Travel	\$177,540
Consultants	\$28,000
Contracts and Sub-Grants	\$0
Other Direct Costs	\$19,924
Indirect Costs	\$29,284
Total:	\$280,000

2018 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	June 4-6, 2018	Tampa, FL	43 attendees 26 states	Tom Lewis, Larry Disney
Level 2	July 9-11, 2018	Tampa, FL	26 attendees 20 states	Don Rodgers, Larry Disney
Level 3	August 27-29, 2019	Tampa, FL	__ attendees __ states	Tom Lewis, Larry Disney

2017 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	May 8-10, 2017	Tampa, FL	48 attendees 29 states	Tom Lewis, Larry Disney
Level 2	July 10-12, 2017	Tampa, FL	45 attendees 26 states	Dennis Badger, Don Rodgers, Deloris L. Kraft- Longoria
Level 3	December 4-6, 2017	Tampa, FL	32 Attendees 23 states	Tom Lewis, Larry Disney, Craig Steinley

2016 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	May 23-25, 2016	St. Louis, MO	49 attendees 22 states	Tom Lewis, Larry Disney
Level 2	Aug 1-3, 2016	St. Louis, MO	34 attendees 24 states	Dennis Badger, Don Rodgers
Level 3	Sept 19-21, 2016	St. Louis, MO	37 attendees 22 states	Tom Lewis, Larry Disney

2015 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	March 9-11, 2015	San Antonio, TX	42 attendees 26 states	Tom Lewis, Larry Disney

Appendix I

Level 2	April 20-22, 2015	Salt Lake City, UT	37 attendees 22 states	Dennis Badger, Don Rodgers
Level 3	September 28-30, 2015	Raleigh, NC	50 attendees 29 states	Tom Lewis, Maggie Hambleton

2014 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	May 19-21, 2014	Baltimore, MD	36 attendees 21 states	Larry Disney, Tom Lewis
Level 2	June 9-11, 2014	Dallas, TX	23 attendees 17 states	Dennis Badger, Don Rodgers
Level 3	Sept 8-10, 2014	San Diego, CA	39 attendees 22 states	Tom Lewis, Maggie Hambleton

2013 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	June 27-29	Denver, CO	46 attendees 30 states	Tom Lewis, Don Rodgers
Level 2	August 15-17	Chicago, IL	35 attendees 26 states	Dennis Badger, Larry Disney

2012 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	June 28-30th	Scottsdale, AZ	37 24 different states & territories	Dennis Badger, Nikole Avers
Level 2	Aug 16-18th	Tampa, FL	33 19 different states & territories	Tom Lewis, Larry Disney
Level 3	Offered in 2012	Video taping	34 - 7/11/12	Dennis Badger, Tom Lewis

2011 Investigator Training Courses

Appendix I

Course	Date	Location	Attendees & States	Instructors
Level 1	Sept. 29-Oct. 1	Chicago, IL	40 23 different states & territories	Dennis Badger, Tom Lewis
Level 2	Oct. 6-8 th	Scottsdale, AZ	23 16 different states & territories	Dennis Badger, Tom Lewis
Level 3	Taped in 2011	Video taping		Dennis Badger, Tom Lewis

2010 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	August 5-7 th	Chicago, IL	40 attendees 28 states	Dennis Badger, Tom Lewis
Level 2	September 9-11 th	Washington, DC	33 attendees 15 states	Dennis Badger, Tom Lewis
Level 2	October 28-30 th	Dallas, TX	40 attendees 21 states	Dennis Badger, Tom Lewis
Level 2	November 11-13 th	Scottsdale, AZ	40 attendees 24 states	Dennis Badger, Tom Lewis

2009 Investigator Training Courses

Course	Date	Location	Attendees & States	Instructors
Level 1	March 19-21 st	Scottsdale, AZ	37 attendees 10 states	Dennis Badger; Tom Lewis
Level 1	June 4-6 th	Dallas, TX	40 attendees 13 states	Dennis Badger, Tom Lewis
Level 1	August 6-8 th	Washington, DC	39 attendees 13 states	Dennis Badger, Tom Lewis
Level 1	November 12-14 th	Chicago, IL	40 attendees 13 states	Dennis Badger, Tom Lewis

Appendix II

	Level 1	Level 2	Level 3
Alabama	10	5	4
Alaska	6	2	
Arizona	27	15	4
Arkansas	6	3	2
California	21	18	9
Colorado	13	11	6
Connecticut	3	2	2
Delaware	13	5	1
District of Columbia (DC)	5	1	
Florida	25	16	11
Guam	6	1	
Georgia	8	4	3
Hawaii	7	4	
Idaho	13		
Illinois	18	9	6
Indiana	15	8	1
Iowa	9	4	5
Kansas	11	7	4
Kentucky	14	10	4
Louisiana	10	9	4
Maine			
Maryland	5	4	4
Massachusetts	7	4	1
Michigan	12	3	1
Minnesota	13	9	2
Mississippi	8	5	3
Missouri	2	4	3
Montana	14	3	1
Nebraska	11	6	2
Nevada	3	1	
New Hampshire	19	11	8
New Jersey	4	5	3
New Mexico	8	2	1
New York	11	8	6
North Carolina	4	4	3
North Dakota	9	5	5
Ohio	18	10	6

Oklahoma	6	3	1
Oregon	8	6	4
Pennsylvania	9	1	1
Puerto Rico	2	2	1
Rhode Island	1		
Mariana Islands	1		
South Carolina	5	3	3
South Dakota	8	7	6
Tennessee	11	8	3
Texas	18	14	6
U.S. Virgin Islands	4	3	
Utah	6	4	1
Vermont	9	5	
Virginia	14	8	4
Washington	14	12	5
West Virginia	9	2	2
Wisconsin	7	1	1
Wyoming	4	3	1
TOTAL	524	344	154
Unique States or Territories	54	51	39

■ ■ ■ ■ ■ ■ ■

Appraisal Subcommittee

Federal Financial Institutions Examination Council

Memorandum

To: Appraisal Subcommittee

From: Jim Park, Executive Director

RE: Draft Budget Proposal for Fiscal Year 2019

Date: August 29, 2018

Fiscal Year 2019 (FY19) Budget Proposal Summary

- Projected Net Revenue – \$3,447,375
- Operating Expenses – \$3,083,726
- Appraisal Foundation Grant – \$350,000
- State Grants – \$295,000
- Net Income – (\$417,624)
- Projected end of FY19 Reserve - \$4,284,156

Revenue

FY19 gross revenue is projected to be \$3,800,200. An anticipated PAYGO deduction of \$352,825 is required resulting in net revenue of \$3,447,375. The basis for this projection is: (1) the annual appraiser registry fee of \$40 per appraiser credential; and (2) a projected average of 95,000 credentials on the Appraiser Registry throughout FY19.

The Appraisal Management Company (AMC) Registry opened July 16, 2018. States have been given until June 4, 2020, to implement AMC registry fees to populate the AMC Registry. It is unknown if any States will populate the AMC Registry and pay registry fees in FY19. Therefore, no AMC registry fee revenue has been budgeted.

ASC Operating Expenditures

The following is an overview of significant expenses in the FY19 Budget Proposal. The detailed budget spreadsheet is attached.

Personnel Compensation

In FY19, \$2,311,570 is budgeted, representing a 12% increase over the FY18 Budget. The Budget Proposal for FY19 includes two additional staff for 14 full-time employees (FTEs), with the addition of one FTE (Regulatory Affairs Specialist) added in the first quarter of FY19 and one FTE (Grant Administrator) in the last quarter of FY19. A cost of living increase of 1.9% has been included in the salary projections. We have also included within-grade increases for two staff based on the dates of their projected increases.

FY18 personnel benefits (*i.e.*, health benefits insurance, thrift savings plan, civil service retirement and government life insurance) was under budgeted at \$380,958 or 23% of total personnel services. The actual amount of these services for FY18 is projected to total approximately \$500,000 or 31% of total personnel services. For FY19, the amount was adjusted to more accurately reflect the cost of these services at \$517,000 or 31% of the FY19 total personnel services.

In FY18, Individual Performance Awards (cash awards) totaled \$33,454. The cash awards budget for FY18 was \$35,419 based on the Office of Management and Budget (OMB) FY18 Guidance for Individual Performance Awards. For F19, we are budgeting \$36,000 for cash awards.

\$10,000 is budgeted for ASC staff training in FY19.

No transportation subsidy is budgeted due to the change to remote duty. The FY18 transportation subsidy is projected to be approximately \$6,600 or 64% of the \$10,350 of the budget.

Travel

The total number of budgeted trips for FY19 is expected to increase from FY18 by 26 (111 trips to 137 trips). The majority of ASC travel is for State Compliance Reviews and monitoring the Appraisal Foundation Boards. In FY19, it is anticipated that an additional day of travel will be needed during Compliance Reviews for review of AMC Programs. Also, due to staff working remotely, additional travel days are included.

Actual FY18 airfares were less than the budgeted amount of \$525. Therefore, for FY19, we decreased airfares to \$475. FY18 hotel rates exceeded the budgeted amount of \$100. Therefore, for FY19, we increased this amount to \$160 per night. The Meals and Incidental Expenses (M&IE) rate (per diem, airport travel, baggage and parking costs) was also adjusted to reflect FY18 actuals. The average per trip cost for FY19 is therefore estimated to be \$1,690 as compared to \$1,400 in FY18.

In FY18, 100 of the 134 trips budgeted are projected to be completed resulting in \$150,000 in travel expenses for FY18, approximately \$17,850 (11%) below budget.

Below is a summary of anticipated FY19 travel:

Compliance Reviews: 31 State Compliance Reviews.

Follow-up Reviews: 2 Follow-up Reviews.

Priority Contacts/EWS: 9 Priority Contacts.

Conferences: 2 all-staff meetings will be held in conjunction with the AARO Conferences.

Appraisal Foundation Meetings (ASB, AQB, and BOT): 7 Appraisal Foundation board meetings.

State Investigator Training: 3 State Investigator Training Courses.

Speaking Engagements: 5 speaking engagements.

Executive Director – DC Travel: 8 trips for ASC Board and other meetings.

New Staff Training: \$3,500 to cover training of two new ASC staff positions.

Miscellaneous: 5 trips to cover the cost of additional meetings and trainings that may be required.

Rent, Communications and Utilities

The ten-year lease for the ASC office space ends on October 31, 2018. The lease rate is \$20,474 per month or \$245,688 annually. For FY19, ASC staff will work remotely and has negotiated a virtual office lease agreement for \$7,500 annually.

Telephone service charges for FY19 are budgeted at \$31,350 representing an 18% decrease over the FY18 amount of \$38,080.

\$2,316 is budgeted for a secure, off-site storage unit for ASC files and documents. These climate-controlled, secure and individually-alarmed units are accessible 24/7.

\$5,665 is budgeted for local staff travel (mileage, taxi, public transportation) for travel to meetings in the local area and office mail pick up and \$925 is budgeted for parking.

Printing and Reproduction

Printing expenses in the *Federal Register* for FY19 are estimated to be \$10,000, which is the same amount budgeted for FY18. The ASC publishes ASC Meeting Notices and may be publishing additional items this year related to AMC program activity. For FY19, \$2,000 is again budgeted for printing in the *Code of Federal Regulations*.

FY19, printing expenses of \$14,035 include \$12,835 for printing and layout of the Annual Report and \$1,200 for other miscellaneous printing jobs.

Contracted Services

In FY19, GSA/USDA increased their pricing to reflect their migration to a new financial operations systems platform, which will increase the cost by 59% from \$73,561 budgeted in FY18 to \$117,225. Due to the increase, which occurred during FY18, staff projects the actual cost of this service in FY18 to be \$81,044.

For FY19, \$32,350 is budgeted for the cost of the ASC annual audit. In FY18, the OMB issued directive *OMB 17-03 Audit Requirements for Federal Financial Statements* which changed the reporting requirements of financial statements. In FY18, we budgeted \$20,157 for this service. Because of this directive, the cost increased by \$10,900 or 54% over the FY18 budgeted amount. For FY19, we are budgeting \$8,350 for the Agreed Upon Procedures Review of the Appraisal Foundation FY18 grant.

IT Services

IT Contracted Services are estimated at \$163,220:

- **Website Hosting & Internet Connectivity:** \$18,000 to host the ASC Website and provide internet service (a 55% decrease over FY18).
- **Help Desk Services:** \$50,400 is budgeted for ASC IT contractor help desk services.

- **Website Maintenance:** \$25,200 is budgeted for this service.
- **Anti-Virus/Malware:** \$7,000 is budgeted for this service. We will be implementing a web-based anti-virus/malware to meet the demands of our greater distributed network operations.
- **Server Back-up and Recovery:** \$40,000 is budgeted to create a back-up and recovery service to support the server network, including the ASC.gov webserver and the SQL server for the ASC National Registries. The addition of this feature would provide a 48-72-hour recovery window
- **Minor Projects:** \$15,500 is budgeted as a contingency fund to cover IT contractor costs for unanticipated expenses associated with providing technical support to States with AMC Registry data input support and UID/SOAP conversion.
- **Managed DNS:** \$4,420 is budgeted for Verisign.
- **Firewall:** \$2,700 is budgeted for this service.

License Renewals are estimated at \$11,450

- \$9,000 for renewal of Office 365 provided by On Par Technologies
- \$450 for GSA-provided dotgov domain name registration
- \$1,700 for remote computer access provide by LogMeIn
- \$300 for Lynda online, tutorial training
- **Hardware:**
 - \$2,500 for one back-up personal computer
- **Miscellaneous IT:**
 - \$7,000 for server warranties (covering three years)
 - \$16,000 for MS SQL server software

IT Projects

\$21,000 is budgeted to assist States with implementation and utilization of UID for the Appraiser Registry and assist States developing SOAP code for their systems. \$36,000 is budgeted for enhancements to the National Registries and website.

Miscellaneous

For FY19, \$15,115 is budgeted to cover conference registrations (*e.g.*, AARO spring and fall conferences), licensing fees and bar dues.

Federal Grants

Foundation Grant

ASC Staff recommends a \$350,000 grant to the Foundation for grant eligible expenses. This is commensurate with grants over the past five years. The Foundation requested \$730,000 for AQB and ASB grant-eligible expenses. To meet this request in full would require the ASC to incur a substantial loss and a significant draw down in reserves.

State Grants

ASC Staff recommends the following:

- \$280,000 for the FY19 Investigator Training Program as requested by the Foundation
- \$10,000 for development of an AMC Registration and Supervision /Investigator Training program
- \$5,500 to provide 2 USPAP publications to all 55 States.

Depreciation

In FY19, \$135,773 is projected as the depreciation expense for the ASC's Software and Equipment and Server Hardware. Due to the establishment of the National Registry of AMCs Database in FY18, approximately \$90,000 of expenses associated with its building have been capitalized. Over a period of roughly three years, this item will be depreciated with other ASC Software and Equipment.

Sequestration

Based on the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019, sequestration for FY19 will be 6.2% of available cash receipts.

Conclusions:

The proposed FY19 Budget would produce a \$418,000 loss. A deficit of \$21,000 is projected for FY18 which is significantly less than the \$153,500 deficit budgeted for FY18. If approved and fully expended, the reserve at the end of FY19 would be \$4,284,156, well within the one-year reserve policy currently in place.

Attachments:

FY19 Proposed Budget Spreadsheet
ASC Profit & Loss Statement through June 30, 2018
2014-2019 ASC Reserve and Revenue (with grants) graphs

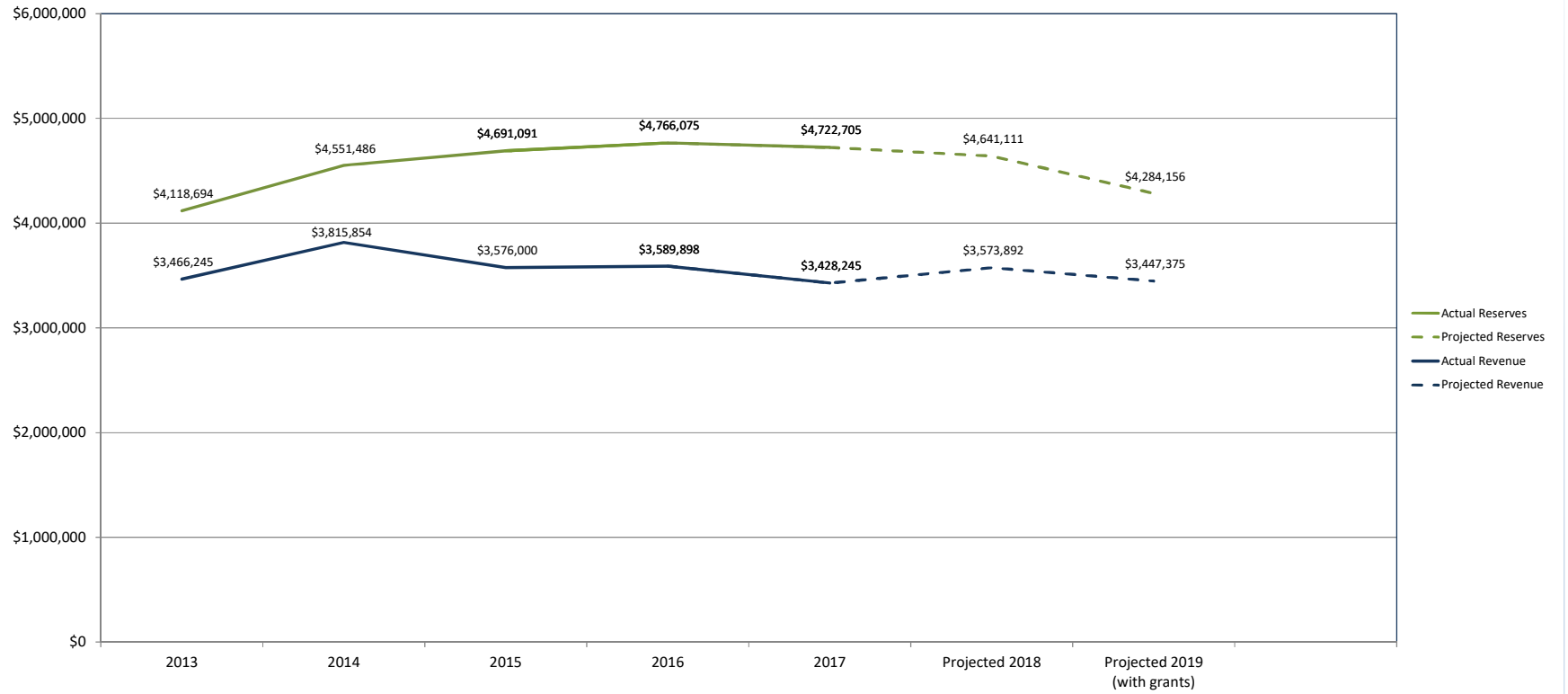
FY19 Proposed Budget

	C	D	E	F	G	H	I	J	K
	Budget	Approved Budget	FY18	\$ Diff FY18 Budg	% Diff. FY18	\$ Diff FY19 Prop. Budg	% Diff FY19 Prop. Budg	\$ Diff FY19 Budg	% Diff FY19 Budg
	FY19	FY18	Projected	vs. FY18 Proj	Budg. Vs. Proj.	vs. FY18 Budg.	vs. FY18 Budg.	vs. FY18 Proj.	vs. FY18 Proj.
FY19 Proposed Budget									
Estimated Revenues:									
Registry Fees	\$ 3,800,200	\$ 3,840,000	\$ 3,943,605	\$ 103,605	2.63%	\$ (39,800)	-1.04%	\$ (143,405)	-3.6%
Less 25% Pay-Go Requirement	\$ 352,825	\$ 360,000	\$ 369,713	\$ 9,713	2.63%	\$ (7,175)	-1.99%	\$ (16,888)	-4.6%
Total Revenues	\$ 3,447,375	\$ 3,480,000	\$ 3,573,892	\$ 93,892	2.70%	\$ (32,625)	-0.94%	\$ (126,517)	-3.5%
Expenses:									
Personnel Compensation:									
Salaries	\$ 1,748,399	\$ 1,633,298	\$ 1,559,954	\$ (73,344)	-4.5%	\$ 115,101	7.0%	\$ 188,445	12.1%
Personnel Benefits	\$ 517,146	\$ 380,958	\$ 500,540	\$ 119,582	31.4%	\$ 136,188	35.7%	\$ 16,606	3.3%
Cash Awards	\$ 36,025	\$ 35,419	\$ 33,454	\$ (1,965)	-5.5%	\$ 606	1.7%	\$ 2,571	7.7%
Training	\$ 10,000	\$ 10,500	\$ 2,000	\$ (8,500)	-81.0%	\$ (500)	-4.8%	\$ 8,000	400.0%
Transportation Subsidy	\$ -	\$ 10,350	\$ 6,600	\$ (3,750)	-36.2%	\$ (10,350)	-100.0%	\$ (6,600)	-100.0%
Total Compensation:	\$ 2,311,570	\$ 2,070,525	\$ 2,102,548	\$ 32,023	1.5%	\$ 241,045	11.6%	\$ 209,021	9.9%
Transportation of Things:	\$ 925	\$ 900	\$ 900	\$ -	0.0%	\$ 25	2.8%	\$ 25	3%
Special Projects:									
Dodd-Frank Hotline	\$ 60	\$ 3,180	\$ 3,180	\$ -	0.0%	\$ (3,120)	-98.1%	\$ (3,120)	-98%
Travel:									
Compliance Review	\$ 104,780	\$ 78,500	\$ 78,976	\$ 476	0.6%	\$ 26,280	33.5%	\$ 25,804	32.7%
Supervising/Compliance	\$ 15,210	\$ 11,200	\$ 8,558	\$ (2,642)	-23.6%	\$ 4,010	35.8%	\$ 6,652	77.7%
Follow-up Review	\$ 3,380	\$ 2,800	\$ 1,690	\$ (1,110)	-39.6%	\$ 1,690	20.7%	\$ 1,690	100.0%
Priority Contact/EWS	\$ 15,210	\$ 8,400	\$ 5,275	\$ (3,125)	-37.2%	\$ 6,810	81.1%	\$ 9,935	188.4%
Meetings									
AARO Fall Conference	\$ 1,690	\$ 2,800	\$ 3,802	\$ 1,002	35.8%	\$ (1,110)	-39.6%	\$ (2,112)	-55.5%
Policy Managers & All Staff Meetings (w/AARO Fall)	\$ 6,760	\$ 8,400	\$ 10,020	\$ 1,620	19.3%	\$ (1,640)	-19.5%	\$ (3,260)	-32.5%
AARO Spring Conference	\$ 13,520	\$ 15,400	\$ 17,847	\$ 2,447	15.9%	\$ (1,880)	-12.2%	\$ (4,327)	-24.2%
All Staff Meeting (w/AARO Spring Conf.)	\$ 6,760	\$ -	\$ -	\$ -	-	\$ 6,760	-	\$ 6,760	-
ARELLO Annual Conference	\$ -	\$ 2,800	\$ -	\$ (2,800)	-100.0%	\$ (2,800)	-	\$ -	-
Appraisal Foundation Meetings (ASB, AQB, BOT)	\$ 21,970	\$ 19,600	\$ 12,185	\$ (7,415)	-37.8%	\$ 2,370	12.1%	\$ 9,785	80.3%
State Investigator Training	\$ 8,450	\$ 7,000	\$ 3,525	\$ (3,475)	-49.6%	\$ 1,450	20.7%	\$ 4,925	139.7%
Speaking engagements	\$ 8,450	\$ 7,000	\$ 6,370	\$ (630)	-9.0%	\$ 1,450	20.7%	\$ 2,080	32.7%
Executive Director - DC Travel	\$ 13,520	\$ -	\$ -	\$ -	-	\$ 13,520	-	\$ 13,520	-
New Staff Training	\$ 3,380	\$ -	\$ -	\$ -	-	\$ 3,380	-	\$ 3,380	-
Miscellaneous (add'l mtgs, trainings, etc)	\$ 8,450	\$ -	\$ -	\$ -	-	\$ 8,450	-	\$ -	-
Car Rental & Local Travel	\$ 5,960	\$ 3,950	\$ 1,754	\$ (2,196)	-55.6%	\$ 2,010	50.9%	\$ 4,206	239.9%
Total Travel:	\$ 237,490	\$ 167,850	\$ 150,000	\$ (17,850)	-10.6%	\$ 69,640	41.5%	\$ 87,490	58.3%
Rent, Comm., & Utilities:									
Rent	\$ 7,500	\$ 245,688	\$ 237,695	\$ (7,993)	-3.3%	\$ (238,188)	-96.9%	\$ (230,195)	-96.8%
Telephone Service (incl. office & cell phones)	\$ 31,350	\$ 38,080	\$ 42,438	\$ 4,358	11.4%	\$ (6,730)	-17.7%	\$ (11,088)	-26.1%
Postal service	\$ 250	\$ 488	\$ 592	\$ 104	21.3%	\$ (238)	-	\$ (342)	-57.8%
WestLaw	\$ 11,930	\$ 10,915	\$ 10,915	\$ (0)	0.0%	\$ 1,015	9.3%	\$ 1,015	9.3%
Storage Space Facility	\$ 2,316	\$ -	\$ -	\$ -	-	\$ 2,316	-	\$ 2,316	-
Staff Local travel	\$ 5,665	\$ -	\$ -	\$ -	-	\$ 5,665	-	\$ 5,665	-
Parking	\$ 925	\$ 7,056	\$ 6,468	\$ (588)	-8.3%	\$ (6,131)	-86.9%	\$ (5,543)	-85.7%
Total Rent, Comm, Utilities:	\$ 59,936	\$ 302,227	\$ 298,108	\$ (4,119)	-1.4%	\$ (242,291)	-80.2%	\$ (238,172)	-79.9%
Printing and Reproduction:									
Federal Register/CFR	\$ 12,000	\$ 12,000	\$ 9,000	\$ (3,000)	-25.0%	\$ -	0.0%	\$ 3,000	33.3%
Copying	\$ 1,000	\$ 4,500	\$ 4,070	\$ (430)	-9.6%	\$ (3,500)	-77.8%	\$ (3,070)	-75.4%
Printing	\$ 14,035	\$ 19,500	\$ 12,584	\$ (6,916)	-35.5%	\$ (5,465)	-28.0%	\$ 1,451	11.5%
Total Printing & Copying:	\$ 27,035	\$ 36,000	\$ 25,654	\$ (10,346)	-28.7%	\$ (8,965)	-24.9%	\$ 1,381	5.4%
Contracted Services:									
GSA	\$ 117,225	\$ 73,561	\$ 81,044	\$ 7,483	10.2%	\$ 43,664	59.4%	\$ 36,180	44.6%
OPM Survey	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Annual audit of ASC	\$ 32,350	\$ 20,157	\$ 31,100	\$ 10,943	54.3%	\$ 12,193	60.5%	\$ 1,250	4.0%
2018 Moving Expense	\$ -	\$ 20,000	\$ 15,707	\$ (4,294)	-21.5%	\$ (20,000)	-100.0%	\$ (15,707)	-100.0%
Review of AF Grant	\$ 8,350	\$ 7,957	\$ 8,000	\$ 43	0.5%	\$ 393	4.9%	\$ 350	4.4%
FDMS	\$ 5,500	\$ 5,500	\$ 5,500	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Total Other Services:	\$ 168,425	\$ 132,175	\$ 146,351	\$ 14,176	10.7%	\$ 36,250	27.4%	\$ 22,074	15.1%
IT Services:									
IT Contracted Services:	\$ 163,220	\$ 125,788	\$ 117,204	\$ (8,584)	-6.8%	\$ 37,432	29.8%	\$ 46,016	39.3%
License Renewals	\$ 11,450	\$ 18,470	\$ 9,598	\$ (8,872)	-48.0%	\$ (7,020)	-38.0%	\$ 1,852	19.3%
Hardware	\$ 2,500	\$ 2,500	\$ 1,840	\$ (660)	-26.4%	\$ -	0.0%	\$ 660	35.9%
Miscellaneous IT	\$ 23,000	\$ -	\$ -	\$ -	-	\$ 23,000	-	\$ 23,000	-
Total Ongoing Annual Services:	\$ 200,170	\$ 146,758	\$ 128,642	\$ (18,116)	-12.3%	\$ 30,412	20.7%	\$ 71,528	55.6%
IT Projects:									
Unique Identifier Number/ SOAP State Consultation	\$ 21,000	\$ 21,000	\$ 20,961	\$ (39)	-0.2%	\$ -	0.0%	\$ 39	0.2%
ASC Database Enhancements (National Registry of AMCs)	\$ 36,000	\$ 66,500	\$ -	\$ (66,500)	-100.0%	\$ (30,500)	-45.9%	\$ 36,000	-
Total IT Projects:	\$ 57,000	\$ 87,500	\$ 20,961	\$ (66,539)	-76.0%	\$ (30,500)	-34.9%	\$ 36,039	171.9%
Total IT Services and Projects:	\$ 257,170	\$ 234,258	\$ 149,603	\$ (84,655)	-36.1%	\$ (88)	0.0%	\$ 107,567	71.9%
Supplies and Materials:	\$ 6,000	\$ 12,000	\$ 10,160	\$ (1,840)	-15.3%	\$ (6,000)	-50.0%	\$ (4,160)	-40.9%
Miscellaneous:	\$ 15,115	\$ 14,400	\$ 14,400	\$ -	0.0%	\$ 715	5.0%	\$ 715	5.0%
Total Operating Budget	\$ 3,083,726	\$ 2,973,515	\$ 2,900,904	\$ (72,611)	-2.4%	\$ 110,211	3.7%	\$ 182,821	6.3%
Federal Grants:									
AF Grant	\$ 350,000	\$ 350,000	\$ 350,000	\$ -	0%	\$ -	-	\$ -	0.0%
State Grants	\$ 295,500	\$ 310,000	\$ 224,334	\$ (85,666)	-28%	\$ -	-	\$ 71,166	31.7%
Total Federal Grants	\$ 645,500	\$ 660,000	\$ 574,334	\$ (85,666)	-13%	\$ -	-	\$ 71,166	12.4%
Depreciation	\$ 135,773	\$ -	\$ 119,579	\$ 119,579	-	\$ -	-	\$ 16,194	13.5%
2019 Total Expenses	\$ 3,864,999	\$ 3,633,515	\$ 3,594,817	\$ (38,698)	-1%	\$ 231,484	6.4%	\$ 270,181	7.5%
Revenue Less Expenses	(\$417,624)	(\$153,515)	(\$20,925)	\$ 132,590	-86%	\$ 69,640	-	\$ (396,699)	1895.8%
2017 Reserve Balance	\$ 4,722,705								
2018 Proj Net Profit (Loss)	\$ (20,925)								
2018 Proj Reserve Balance	\$ 4,701,780								
2019 Proj Operating Profit (pre-grants awards)	\$ (417,624)								
2019 Proj Reserve Balance (pre-grants awards)	\$ 4,284,156								

The Appraisal Subcommittee
Profit Loss Budget
through June 30, 2018

				Oct '17 - June '18	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense							
Income							
			40000 · Appraiser Fees (Sales Income)	2,939,161.50	3,480,000.00	-540,838.50	84.46%
			Total Income	2,939,161.50	3,480,000.00	-540,838.50	84.46%
Expense							
			61700 · Computer and Internet Expenses				
			61725 · Hardware	1,840.02	2,500.00	-659.98	73.6%
			61735 · License & SSL Renewals	9,983.10	14,050.00	-4,066.90	71.05%
			61745 · IT Contracted Svcs				
			61710 · Maint. of Web site & Regis.	9,450.00	12,600.00	-3,150.00	75.0%
			61715 · Hosting Web site	8,186.56	12,000.00	-3,813.44	68.22%
			61730 · Internet Service Provider	10,912.00	20,688.00	-9,776.00	52.75%
			61740 · Help Desk Services	39,174.20	50,400.00	-11,225.80	77.73%
			68580 · Appraiser Nat Reg (FFP)	9,450.00	12,600.00	-3,150.00	75.0%
			61745 · IT Contracted Svcs - Other	13,613.30	21,920.00	-8,306.70	62.1%
			Total 61745 · IT Contracted Svcs	90,786.06	130,208.00	-39,421.94	69.72%
			Total 61700 · Computer and Internet Expenses	102,609.18	146,758.00	-44,148.82	69.92%
			62400 · Depreciation Expense				
			62405 · Depr-Existing furn & phones	2,385.00			
			62420 · Depr-Server	6,867.00			
			62425 · Depr-NR of Appraisers Database	75,897.00			
			Total 62400 · Depreciation Expense	85,149.00			
			62500 · Dues and Subscriptions				
			62501 · Legal Research Service	10,914.84	10,915.00	-0.16	100.0%
			Total 62500 · Dues and Subscriptions	10,914.84	10,915.00	-0.16	100.0%
			64700 · Miscellaneous Expense (General)				
			68450 · State Reg. conference	5,388.48			
			64700 · Miscellaneous Expense (General) - Other	2,691.55	14,400.00	-11,708.45	18.69%
			Total 64700 · Miscellaneous Expense (General)	8,080.03	14,400.00	-6,319.97	56.11%
			64900 · Office Supplies	8,037.14	12,000.00	-3,962.86	66.98%
			66000 · Payroll Expenses				
			66001 · Salaries	1,163,389.26	1,633,298.00	-469,908.74	71.23%
			66002 · Personnel Benefits	373,348.00	380,958.00	-7,610.00	98.0%
			66003 · Transportation Subsidy	5,106.10	10,350.00	-5,243.90	49.33%
			66004 · Cash Awards	33,454.00	35,419.00	-1,965.00	94.45%
			Total 66000 · Payroll Expenses	1,575,297.36	2,060,025.00	-484,727.64	76.47%
			66100 · Training	665.97	10,500.00	-9,834.03	6.34%
			66200 · Parking	4,704.00	7,056.00	-2,352.00	66.67%
			66300 · Consulting Services				
			66320 · OPM Survey (Annual)	5,000.00	5,000.00	0.00	100.0%
			Total 66300 · Consulting Services	5,000.00	5,000.00	0.00	100.0%
			66350 · Annual Audit of ASC	31,100.00	20,157.00	10,943.00	154.29%
			66355 · Review of AF Grant	8,000.00	7,957.00	43.00	100.54%
			66400 · GSA Services	61,062.37	73,561.00	-12,498.63	83.01%
			66500 · Postage and Delivery	461.63	488.00	-26.37	94.6%
			66501 · Transportation of Things	344.23	900.00	-555.77	38.25%
			66600 · Printing and Reproduction				
			66601 · Printing & Repro - Fed Registry	0.00	12,000.00	-12,000.00	0.0%
			66602 · Printing & Repro - Other	2,932.07	4,500.00	-1,567.93	65.16%
			66603 · Printing & Repro - Publications	12,584.00	19,500.00	-6,916.00	64.53%
			Total 66600 · Printing and Reproduction	15,516.07	36,000.00	-20,483.93	43.1%
			66800 · FDMS	0.00	5,500.00	-5,500.00	0.0%
			67100 · Rent Expense				
			67105 · Moving Expense	1,554.30	20,000.00	-18,445.70	7.77%
			67100 · Rent Expense - Other	176,085.15	245,688.00	-69,602.85	71.67%
			Total 67100 · Rent Expense	177,639.45	265,688.00	-88,048.55	66.86%
			68100 · Telephone Expense	32,341.02	38,080.00	-5,738.98	84.93%
			68400 · Travel Expense	98,496.81	167,850.00	-69,353.19	58.68%
			68500 · Hotline	2,385.00	3,180.00	-795.00	75.0%
			Total 68550 · Unique Identifier Project	20,078.64	21,000.00	-921.36	95.61%
			68582 · National Registry of AMC's	79,723.15	66,500.00	13,223.15	119.88%
			68700 · Grant - Expense				
			68705 · Appraisal Foundation Grant	262,500.03	350,000.00	-87,499.97	75.0%
			68710 · State Grant - Investigator Trng	232,499.97	310,000.00	-77,500.03	75.0%
			Total 68700 · Grant - Expense	495,000.00	660,000.00	-165,000.00	75.0%
			Total Expense	2,822,605.89	3,633,515.00	-810,909.11	77.68%
			Net Income	116,555.61	-153,515.00	270,070.61	-75.93%

2014 - 2019 Appraisal Subcommittee Reserve & Revenue



ASC 5-Year Strategic Plan 2019-23

Approved [insert]

Mission Statement

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.

Strategic Goals

1. Promote Title XI-compliant State Appraiser Programs and AMC Programs;¹
2. Carry out Title XI monitoring functions;
3. Administer Title XI Grant Programs;
4. Finalize Implementation of Advisory Committee recommendations;
5. Maintain the National Registries (Appraiser Registry and AMC Registry);
6. Prudently manage ASC resources; and
7. Partner with the Valuation Stakeholders to Facilitate Effective and Efficient Valuation Services and Regulation

Strategic Goal 1: Promote Title XI-compliant State Appraiser Programs and AMC Programs

Strategic Objective 1.1: Ensure that States understand ASC expectations and compliance requirements of Title XI and the Policy Statements. To meet this objective, ASC staff will:

- monitor and review State Programs for compliance with Title XI and the ASC Policy Statements, including compliance with Federal rules governing registration and supervision of AMCs and AMC registry fees;
- communicate with State Programs on a routine basis to identify developing risks within the State Programs and assist when needed; and
- take prompt and effective enforcement actions when warranted.

Strategic Objective 1.2: Maintain understandable and enforceable Policy Statements. To meet this objective, ASC staff will:

- monitor input from stakeholders on Policy Statements;
- regularly seek input from State Programs regarding ways to improve the understandability and enforceability of the Policy Statements; and

¹ Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions. Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies (AMCs).

- review and update the Policy Statements as needed.

Strategic Objective 1.3: Issue Compliance Review Reports (Reports) that are: (a) accurate representations of State Program status; (b) developed and reported in accordance with established ASC policies and procedures (including the Plain Language Act); and (c) developed and reported in a fair and equitable manner. To meet this objective, ASC staff will:

- issue Reports based upon on-site Compliance Review (State Programs are reviewed no less than once every two years);
- clearly articulate the condition of the State Program, its compliance level with Title XI, and what required actions the State must take to address issues of non-compliance; and
- review and adjust Report format, as needed.

Strategic Objective 1.4: Issue timely Reports. To meet this objective, ASC staff will:

- implement internal policy to issue final Reports within 90 days of the completion of on-site work, absent special circumstances; and
- identify uses of technology to streamline and improve the Compliance Review process.

Strategic Goal 2: Carry out Title XI monitoring functions

Strategic Objective 2.1: Monitor changes in regulatory appraisal standards of the ASC member agencies. To meet this objective, ASC staff will:

- meet annually with all ASC member agencies to review any appraisal-related regulations or guidance proposed or adopted by the ASC member agencies; and
- Provide a written report back to ASC members to be included in ASC Annual Report addressing any potential impact on State Programs, credentialed appraisers, and other stakeholders.

Strategic Objective 2.2: Monitor and review the Appraisal Foundation (Foundation) practices, procedures, activities and organizational structure. To meet this objective, ASC staff will:

- observe meetings of the Foundation Boards;
- provide comment/observations to Foundation staff and Boards as appropriate;
- review and comment on Foundation work product produced by the Foundation Boards;
- keep ASC Board apprised of Foundations activities; and
- provide comment/observations to Foundation staff and Boards as appropriate.

Strategic Goal 3: Administer Title XI Grant Programs

Strategic Objective 3.1: Ensure ASC grant funds are used in accordance with Title XI and ASC Policy governing grant funding. To meet this objective, ASC staff will:

- review and make recommendation to the ASC on issuance of grant funds in accordance with ASC policy;

- monitor and review use of ASC grant funds to ensure that funds are used in accordance with the approved grant request; and
- conduct an independent review on use of grant funds and report those findings to the ASC and the public.

Strategic Objective 3.2: Implement a robust State Grant Program. To meet this objective, ASC staff will:

- assess the ASC financial resources to support an increased State grant program;
- develop and implement more robust State Grant Program as funding becomes available;
- continue to monitor meetings of the Investigator Training Program Steering Committee;
- review and comment, as appropriate, on Steering Committee work product and other documents that impact the State Investigator Training Program; and
- develop policies and procedures for State education programs in addition to the State Investigator Training Program.

Strategic Goal 4: Finalize Implementation of Advisory Committee recommendations

Strategic Objective 4.1: Implement Dodd-Frank authority granted to the ASC for rulemaking. To meet this objective, ASC staff will:

- complete staff analysis necessary to implement appropriate recommendations of ASC Advisory Committee for Development of Regulations;
- report those recommendations to the Board; and
- prescribe regulations that maintain regulatory flexibility and responsible oversight in accordance with the Administrative Procedures Act.

Strategic Objective 4.2: Implement Advisory Committee recommendations consistent with ASC mission. To meet this objective, ASC staff will:

- finalize review and complete analysis of Advisory Committee report to the ASC to determine both feasibility and budget implications of recommendations;
- determine priority of implementation;
- institute process, improvements or other methods required for implementation; and
- report back to Advisory Committee on final actions taken.

Strategic Goal 5: Maintain the National Registries (Appraiser Registry and AMC Registry)

Strategic Objective 5.1: Maintain public and private access to the Appraiser Registry and AMC Registry on the ASC website. To meet this objective, ASC staff will:

- work with our technology partners to ensure the National Registries are in a secure, reliable and contemporary environment, and meet minimum Federal government requirements; and

- process incoming data securely and expeditiously (*i.e.*, 24 hours).

Strategic Objective 5.2: Improve the usefulness of the National Registries. To meet this objective the ASC will:

- routinely review the usefulness of the National Registries to the States and other users;
- seek input from various users regarding potential enhancements to the National Registries, possibly through web-based solicitation of user feedback; and
- upgrade the National Registries on an as-needed basis.

Strategic Goal 6: Prudently manage ASC resources

Strategic Objective 6.1: Develop and execute properly detailed, analyzed and disciplined annual budgets. To meet this objective, ASC staff will:

- obtain an annual independent audit of the ASC financial statements;
- maintain a minimum one-year operating reserve, including grant funds, in the ASC's Treasury account; and
- routinely update the ASC regarding the agency's financial status.

Strategic Objective 6.2: Execute proactive initiatives focused on the retention of employees, including mentoring, employee feedback, employee outreach, incentives, and recognition programs. To meet this objective, ASC staff will:

- ensure supervisors provide staff with mid-year and end-of-year performance reviews;
- encourage staff to provide feedback on the work of the agency;
- recognize employees for outstanding service and/or commitment to the agency;
- provide resources for staff to participate in professional development opportunities, as appropriate; and
- create appropriate documentation and systems for continuity of operations for use when key personnel depart.

Strategic Objective 6.3: Maintain an effective ethics program. To meet this objective, ASC staff will:

- maintain appropriate policies and procedures governing the ethics program;
- maintain annual ethics training for current employees and new employees;
- provide one-on-one consultation with ethics officials when needed; and
- provide financial disclosures as required by the Office of Government Ethics.

Strategic Objective 6.4: Ensure effective and efficient operations in carrying out Title XI functions. To meet this objective, ASC staff will:

- perform internal reviews on an annual basis to evaluate operations and explore means to improve staff operations;
- obtain periodic and independent review of staff operations; and
- implement recommendations as deemed appropriate.

Strategic Objective 6.5: Continue operation of the Hotline in compliance with ASC Policies. To meet this objective, ASC staff will:

- work with technology partners to ensure consistent operation of Hotline website, call center and email;
- review the website, call center and email service on a routine basis to identify potential service enhancements; and
- share complaint information between ASC member agencies on a routine basis and include data in the ASC's Annual Report to Congress.

Strategic Goal 7: Facilitate Effective and Efficient Valuation Services and Regulation

Strategic Objective 7.1: Provide a forum for networking of stakeholders. To meet this objective, ASC staff will:

- create opportunities to bring valuation stakeholders together to improve valuation services for real estate related financial transactions;
- engage with valuation stakeholders to facilitate development of the next generation of valuation services; and
- liaise with domestic and international valuation service providers, regulators and users of valuation services to promote safe and sound valuation services and policies.