

Briefing Summary Notes Cover Page

August 28, 2019

**APPRAISAL SUBCOMMITTEE
BRIEFING SUMMARY NOTES
MAY 8, 2019**

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

ATTENDEES

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

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Grants Director – Mark Abbott
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Policy Manager – Claire Brooks
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell

OBSERVERS: CFPB – Deana Krumhansl
CFPB – Philip Neary
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
NCUA – Rachel Ackmann
OCC – Will Binkley

The purpose of the Briefing was to discuss the following: (1) ASC Grant Program; (2) Update on Advisory Committee (ASCAC) Recommendations; and (3) North Dakota Temporary Waiver Submission.

ASC Grant Program

M. Abbott said that he is reviewing the ASC's grant monitoring and oversight procedures. He suggested more rigorous oversight of the Foundation and Investigator Training Program (ITP) grant. He will develop better internal controls for ASC staff to follow. A. Lindo said that ASC staff currently monitors Foundation Meetings and asked for further recommendations from M. Abbott. M. Abbott responded that the Foundation is delivering services on the ASC's behalf. The ASC should ensure those services are high quality and have a positive impact. A. Lindo said that the ITP grant award could include the desired outcome for participants. M. Abbott noted that ITP does survey the participants for feedback. The ASC could create an evaluation group or survey to send to ITP participants asking for their suggestions for improvements to the ITP. D. Graves noted that there has been a decrease in States' complaint resolution times since the ITP started. The ASC could ask States to provide that information for review. M. Abbott said that the ASC would have to be careful what measures are used so that the connection to complaint resolution time and ITP training is not too tenuous. Grant awards should have a performance aspect to them and standards would need to be developed for grant review. Currently, the ASC does not include OMB grant guidance in its grant program. The OMB guidance would give the ASC an audit standard and give the grantee(s) clear expectations of the expected outcome of the grant award. There are numerous categories of funding that could be used: reimbursable grants, requests for proposals, or open competition for requests for reimbursement in certain areas. The ASC will need to ensure that States do not decrease funding for State Programs if the State's Program was to receive grant funds. R. Taft asked about matching State funds to set up a program to assist persons in the State who wish to enter the appraisal profession. M. Abbott responded that could be a viable project if there are parameters for the State to follow. The ASC would need to approve a grant policy noting the types of grants that would be available as well as a grants handbook with internal processes to be followed. This could possibly be written in the next quarter. He suggested that the ASC also develop a set of standards for the Foundation and ITP grants that are separate from these other standards. V. Spicer asked if there are reasons to not adopt OMB circulars. M. Abbott responded that the circulars can be restrictive and may impede grantees' work. By adopting OMB circulars, the grantees will understand what can be audited. He suggested that the ASC could also audit the Foundation's use of grant funds.

Update on ASCAC Recommendations

A. Ritter reported that the Dodd-Frank Act allows the ASC to develop rulemaking in 4 areas: National Registry, Enforcement, Temporary Practice, and Information Sharing subject to the formation of an advisory committee. The ASC set up an advisory committee (ASCAC) in 2014, which completed its work over the period of one year with quarterly meetings. ASCAC provided recommendations on rulemaking and also suggestions on grants to the States. Staff has implemented some of the recommendations. ASCAC did develop a matrix for Enforcement. The matrix includes escalating options, several of which staff had already put into practice. However, if the matrix were formalized as a rule, States would know what to expect. She suggested codification of the three ASC Policy Statements that are related to the four rulemaking areas. M. Hatheway asked if ASC staff has developed a timeline for enacting any of the

recommendations. A. Ritter responded that a timeline is included in the ASC Strategic Plan for 2019-2023. One of the recommendation is to include trainees on a Registry. J. Park added that Congress is considering giving the ASC authority to include trainees on a Registry. He feels it would be good to have this information as it could be useful to lenders and other clients. R. Taft asked if all States have trainee programs and do they maintain that information. J. Park responded that not all States have trainee programs. He noted that States that do not have trainee programs may be inclined to set one up if trainees are included on a Registry. A. Lindo requested that staff develop a timeline for enacting the ASCAC recommendations.

North Dakota Temporary Waiver Submission

There was discussion on the draft Notice of Received Request for the North Dakota temporary waiver request and the questions to be included for commenters. V. Spicer suggested that R. Taft make the changes discussed and circulate the draft to the ASC. R. Taft said he would do so before the end of the day. A. Ritter suggested once the Notice and questions are published in the *Federal Register* sending the questions in the Notice to Commissioner Kruse.

**APPRAISAL SUBCOMMITTEE
BRIEFING SUMMARY NOTES
APRIL 29, 2019**

LOCATION: Conference Call

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Veronica Spicer
FDIC – Marianne Hatheway
HUD – Bobbi Borland
NCUA – Tim Segerson
OCC – Richard Taft

ASC STAFF: Executive Director – Jim Park
Deputy Executive Director – Denise Graves
General Counsel – Alice Ritter
Attorney-Advisor – Ada Bohorfoush
Policy Manager – Claire Brooks

OBSERVERS: CFPB – Deana Krumhansl
CFPB – Philip Neary
CFPB – Paul Sanford
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FDIC – Mark Mellon
FDIC – Richard Foley
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
FRB – Derald Seid
FRB – Matt Suntag
NCUA – Rachel Ackmann
OCC – Kevin Lawton
OCC – Mitchell Plave
OCC – Joanne Phillips
OCC – Will Binkley

The purpose of the Briefing was to discuss the North Dakota Temporary Waiver Request.

The Briefing was called to order at 11:00 a.m. by A. Lindo.

- **North Dakota Temporary Waiver Request**

The ASC members and staff discussed the next steps procedurally on the temporary waiver request based on the ASC's previous action on April 15, 2019, in a Special Meeting to publish a notice for comment on the request for temporary waiver in the *Federal Register*. Once published in the *Federal Register*, the ASC has 45 days to take action on the request: to grant or deny, in whole or in part. ASC members discussed including specific questions in the notice for comment. Members will get their comments on the draft notice and request for comment to ASC staff timely in order to finalize the draft.

**APPRAISAL SUBCOMMITTEE
BRIEFING SUMMARY NOTES
JULY 2, 2019**

LOCATION: Conference Call

ATTENDEES

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

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

OBSERVERS: CFPB – Deana Krumhansl
CFPB – Philip Neary
FDIC – Michael Briggs
FDIC - - Rich Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
OCC – Kevin Lawton

The purpose of the Briefing was to discuss: (1) the North Dakota Temporary Waiver Request and (2) House Financial Services Committee Hearing.

North Dakota Temporary Waiver Request

J. Park reported that 103 comments were received (though more may be posted) on the Notice for Comment posted in the *Federal Register*. Most comments were from appraisers who live or work in North Dakota who were not in support of the waiver. Four comments were received from North Dakota lenders in support of the waiver. Reasons for disapproval included the potential decrease of appraisers in the State if the waiver is approved, possible harm to the lending process, impact of low appraiser fees and pressure to complete appraisal reports, difficulty obtaining data, and enforcement authority over uncredentialed appraisers. ASC staff and ASC members discussed procedures for the upcoming July 9th Meeting. A. Ritter suggested

that the Requestors could address the ASC at its July 9th Meeting. J. Park asked if the North Dakota Appraisers Board (NDAB) would be able to address the ASC as well. A. Lindo said both the Requestor and the NDAB would have the option to speak to the ASC and respond to questions about the data both provided.

A. Lindo asked ASC staff to contact L. Kruse and the NDAB by phone and email notifying them that they will have the option for a 5-10 minute presentation at the July 9th Meeting and may be asked to respond to ASC member questions regarding data they provided. A. Lindo said that both parties can address discrepancies between the data already provided. A. Ritter said that both parties will be contacted inviting them to give a 5-10 minute presentation to the ASC and notifying them that they may be asked to address questions regarding data submitted.

House Financial Services Committee Hearing

J. Park said a hearing was held on June 21st regarding appraisal-related topics. There are proposed bills in both the House and Senate to amend Title XI. One bill would allow Licensed appraisers to be added to the FHA Appraiser Roster. Another bill would allow the ASC to modify annual registry fees for AMCs, maintain a registry of Trainees and charge a lower Trainee registry fee; and allow grants to States to assist appraiser and/or potential appraiser compliance with AQB Criteria. RESPA may also be amended to include disclosure of appraiser fees. There is also discussion on adding Department of Veterans Affairs to the ASC Board. Mark-up is scheduled for both bills on July 11th and 16th.

**APPRAISAL SUBCOMMITTEE
BRIEFING SUMMARY NOTES
July 25, 2019**

LOCATION: Conference Call

ATTENDEES

ASC MEMBERS: FRB - Art Lindo
CFPB - Philip Neary
FDIC – Rae-Ann Miller
FHFA – Robert Witt
HUD - Bobbi Borland
NCUA - Tim Segerson

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Attorney-Advisor – Ada Bohorfoush
Management and Program Analyst – Lori Schuster

OBSERVERS: CFPB – Paul Hannah
CFPB – Philip Neary
CFPB – Paul Sanford
FDIC – Ben Gibbs
FDIC – Richard Foley
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
FRB – Matt Suntag
NCUA – Rachel Ackmann
NCUA – Ian Marena
OCC – Kevin Lawton
OCC – Joanne Phillips
OCC – James Rives

The purpose of the Briefing was to discuss the Final Order for the North Dakota Temporary Waiver Request.

Final Order for the North Dakota Temporary Waiver Request

A. Lindo spoke with FFIEC Chair Kraninger to discuss the proposed changes to the Final Order (Order). The Chair was aware that technical changes would be made to the Order. A. Lindo said that if substantive edits are requested, they would require concurrence of the FFIEC. M. Suntag noted that proposed edits include additional requirements that were not in the Order approved by the FFIEC and would require FFIEC concurrence. After discussion by members on the proposed edits, T. Segerson asked if, in the interests of moving forward, subtle changes to the language could be made that would be satisfactory to other members. A. Lindo asked him to submit

wording to ASC staff to incorporate and then it could be distributed to the ASC members for review. R. Ackman said she would provide wording to A. Ritter. P. Sanford noted that the Legal Advisory Group (LAG) may need to review the revised wording to determine if it is a substantive change. A. Lindo was open to further suggestions for the wording but would like to get the Order finalized next week. A. Lindo said if the ASC and LAG agree that the edits are non-substantive, the Order can be finalized, signed and published in the *Federal Register*. A. Lindo asked NCUA to submit revised wording to A. Ritter by early afternoon so that it can be sent to the ASC for review with comments due by 3:00 p.m. on Friday, July 26th. The document will be sent to the LAG for review by close of business, Monday, July 29th.

**APPRAISAL SUBCOMMITTEE
BRIEFING SUMMARY NOTES
August 7, 2019**

LOCATION: Federal Reserve Board
1801 K Street NW, Room B200C, Washington, DC

ATTENDEES

ASC MEMBERS: FRB - Art Lindo
CFPB – John Schroeder
FDIC – Rae-Ann Miller
FHFA – Robert Witt
NCUA - Tim Segerson

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

OBSERVERS: CFPB – Deanna Krumhansl
CFPB – Orlando Orellano
FDIC – Michael Briggs
FDIC – Rich Foley
FDIC – Suzy Gardner
FHFA – Ming-Yuen Meyer-Fong
FRB – Carmen Holly
OCC – Stacey Fluellen
OCC – Kevin Lawton
OCC – James Rives

The purpose of the Briefing was to receive an update from M. Abbott regarding the ASC Grants Program.

ASC Grants Program Update

A. Lindo opened the Briefing. He noted that M. Abbott will present recommendations to modernize the ASC Grants Program and implement structural changes to comply with Office of Management and Budget (OMB) circulars and best practices. M. Abbott discussed items in the attached memorandum dated July 31, 2019 that was distributed to ASC members. He said that ASC staff will propose ASC adoption of a grant handbook detailing ASC grant policies and practices to include: adopting OMB circulars pertaining to use and administration of federal grant funds; types of grants that will be available; eligible entities; auditing and oversight; grant

performance periods; and new programming. The handbook will describe the roles that ASC staff and members will have in the grants program. He commented the Grants Program should have flexibility for grantees with the ASC providing technical assistance along with training and support to grantees. Changes recommended for the Appraisal Foundation grant include more oversight, drawing down, grant funds rather than monthly approvals, and annual determination of indirect cost rates. He suggested setting up an Interagency Agreement with the U.S. Department of Health and Human Services as they have expertise in determining indirect cost rates.

J. Schroeder asked how the ASC grant program operated previously. M. Abbott responded that the ASC referenced the OMB circulars in the grant awards in the 1990s but is not currently doing so. ASC staff reviews grant proposals for allowable costs under Title XI but does not have a structured grants program. The ASC also needs to develop a continuous performance model for Appraisal Foundation grants. As the ASC will have more funds available, more grant opportunities will be available to States and eligible parties. A. Lindo noted that the ASC can adopt best practices that work for other grant-making agencies. M. Abbott said that the ASC may need to educate the Appraisal Foundation on the requirements in the OMB Circulars. M. Meyer-Fong asked who will develop standards and determine priorities for awarding grants. M. Abbott responded that this will be addressed in the grants handbook in detail, but in summary, if a grant competition is envisioned, the ASC staff would provide an overview to the ASC of the competition and request approval. An outreach program will also need to be developed. A detailed statement of work and anticipated outcomes would be developed; there could be a formal or informal submission process. The request would detail how grant proposals will be reviewed. Peer Reviewers could grade the proposal. Some grants may be competitive while others will be non-competitive. J. Rives asked if performance measures would be considered to determine a grant's success. M. Abbott said that short and long-term impacts could determine the grant's success. For example, if grant funds are used to increase the number of appraisers in a rural area, the ASC could see the impact based on the number of trainees. M. Abbott said that the ASC would need to contract with an accounting firm or another federal agency Inspector General to perform financial statement audits. For performance reviews of grants, the ASC may need to contract with a federal agency Inspector General for an independent review. A. Ritter asked what would trigger a performance review. M. Abbott said if there were questions regarding waste, fraud and abuse of grant funds, a third party could review the allegations. It may also need to be turned over to an Inspector General as the grant officer's role is not to police waste, fraud and abuse. A. Lindo asked if the grant handbook would be a public document. M. Abbott responded that it will be an internal document but could be made available under a FOIA request. T. Segerson asked if the ASC would require additional staff. M. Abbott responded that 1.5 or 2 full-time equivalents may be needed but those persons would also do additional tasks. The costs to contract for an Inspector General may be \$100,000 and costs for training are estimated at \$80,000. A small travel budget will be needed for ASC staff to do site visits. Regardless of the grant funds available, the infrastructure is the same. J. Schroeder asked what the anticipated growth is for the grant program. J. Park responded that prior to the Dodd-Frank Act, only the Appraisal Foundation was eligible for grant funds. Now, the ASC is responsible for developing an oversight program of appraisal management companies (AMCs) as well as authority to award grants to the States. The ASC estimates \$500,000 in AMC fees in the current fiscal year. The ASC may receive \$3-5M annually once State AMC Programs are in place.

There has been concern that States may decrease funding to a State appraisal program if grant funds are awarded to a State. M. Abbott said that rules can be written to prevent funds from being supplanted by grant awards.

Attachment

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Confidential

TO: Appraisal Subcommittee

FROM: Mark Abbott, Grants Director

DATE: July 31, 2019

RE: New Grants Policies & Practices

This memorandum outlines a number of grant policies and practices that ASC staff will propose that the Board adopt in the coming months. Staff is developing a grants policy handbook that describes our intended grantmaking processes from soliciting proposals, to oversight and monitoring, to audit resolution and closeout in sufficient detail to set up and run a quality grants department. The handbook will provide consistent, transparent policies and practices for ASC and its grantees to follow. Outlined below are some of the policies and practices that will be in the handbook and that represent an expansion or change from current ASC practices.

- 1. Adopting OMB Circulars for grants management.** Federal grantmaking entities generally adopt the OMB's 'super circular' which sets standards related to administrative requirements, costs and accounting principles and audit requirements for managing federal awards. The circular will allow ASC to provide consistent grants management oversight, monitoring and technical assistance to grantees as well as audit standards that are clear and defensible.
- 2. Forms of Grants.** Federal entities make grants to eligible organizations to achieve outcomes that directly benefit the public. A cooperative agreement is a type of grant where the outcomes are not necessarily defined prior to the award being made. Cooperative agreements are used when a federal agency wants to work in partnership with the grantee to develop a project in a collaborative fashion. Grants are in contrast to federal contracts, which are used to procure services/outcomes that are of direct benefit to the government (as opposed to the public). Going forward, ASC will use both contracts and grants vehicles to develop programming that advances the ASC's mission.
- 3. Eligible Entities.** ASC's authorizing legislation names The Appraisal Foundation (TAF) and the 55 State regulatory bodies as eligible to receive ASC grant funds. ASC plans to work with these entities to ensure they have the capacity to accept and administer federal grants. It will take from 12 to 18 months to get all 55 State eligible entities and TAF fully in a position to administer ASC grant funds.

4. **Auditing and Oversight.** Adoption of the OMB circular, which all ASC grantees would need to follow as a condition of accepting federal assistance, puts the responsibility for managing funds on the grantee. In a practical sense, this means ASC will shift from reviewing transactions and approving disbursement requests to focusing on reviewing activities and progress toward agreed-upon outcomes. ASC will also shift to ensuring eligible entities have the systems in place to manage federal funds consistent with federal requirements as a condition for receiving the funds.
5. **Grant Performance Periods.** Generally, grant initiatives should be from 3 to 5 years in duration. Grantees should have multi-year plans and be awarded an ‘up to’ funding level for the entire performance period. ASC would make funds available annually based on submission of a shorter renewal proposal and annual operating budget.
6. **New Programming.** Once the grants office is established and each State has an entity set up to administer grant funds directly, ASC can begin making targeted grants focused on specific outcomes/impacts. For example, ASC could launch a Rural Appraiser Expansion Demonstration Initiative which would seek to identify and fund practices in certain States/rural markets that could later be made available across the country.

Impact on TAF

For grantees new to ASC grantmaking, the policies described in the grants handbook will not seem out-of-the-ordinary for a federal grants program. For TAF, the changes will likely seem and be significant. TAF has operated under a set of guidelines and normative rules that, while effective and professionally administered, only cover a portion of what is prescribed through OMB’s Circulars. A few examples of the changes for TAF include:

- a. **Extended grant periods.** Approving grants with a 3 to 5-year operating plan with budgets that renew annually will encourage longer-term planning and eventually allow budgets to be approved as much as nine months in advance.
- b. **Easier access to funds.** Funds will be available within a given grant period as needed with no additional review or approvals by ASC required.
- c. **Shift in reporting.** TAF reports will be focused on progress towards agreed-upon objectives and programming impact. Financial reports are still required, but they are summary only and required no more than once or twice a year.
- d. **Defined roles for both TAF and ASC.** Separating programming from grants management will allow AF to work in close partnership with ASC on programming, outside of the federal award management responsibilities. The division of roles could allow a closer working relationship between the two entities.
- e. **Technical Assistance.** ASC will offer third-party technical assistance for managing federal funds. This assistance will shift much of ASC monitoring to a non-punitive, continuous improvement framework.
- f. **Independent Audit.** TAF will now be subject to regular independent audits. These audits will be done by a third party contracted by ASC. The shift to regular, periodic audits is

how ASC will know that TAF and all ASC grantees are administering federal funds as required by the OMB circulars. The authority to conduct an audit is derived from the grant agreement and OMB circulars.

- g. **New Indirect Costs Rate.** TAF needs to have its indirect cost rate approved on an annual basis. As the cognizant federal agency, ASC is responsible for approving this rate. The rate will require that a detailed financial proposal be submitted and reviewed. ASC will likely contract with the U.S. Department of Health and Human Services to negotiate a rate for TAF. As it has been 20 years since a rate was agreed upon for TAF, there is a possibility that the rate will be substantially different than the one used in prior years.
- h. **Greater Transparency into TAF Operations and Finances.** Currently TAF makes a distinction between activities funded by the ASC grant and activities supported with non-federal funds (mostly income derived from updates to USPAP). This is likely not a valid distinction as the USPAP is developed by the Appraisal Standards Board which is funded, in part, by ASC through its grant to TAF. This makes any income received from USPAP 'Program Income', which is treated as if it is federal grant funds. As a result, almost every activity undertaken by TAF that is supported by USPAP funds is subject to monitoring and review by ASC. This oversight is in addition to any general oversight mandated by ASC's authorizing legislation.