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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** January 30, 2019

**RE:** February 13, 2019 ASC Meeting Package

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For the February 13<sup>th</sup> ASC Meeting, the following items are included in your meeting package. If you have any questions, please contact Lori Schuster at [lori@asc.gov](mailto: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)
- August 29<sup>th</sup> 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](mailto:Lori@asc.gov)) by close of business, February 11<sup>th</sup>. A revised draft incorporating any edits received will be provided for the February 13<sup>th</sup> Meeting.)

- Appraisal Foundation FY18 Grant Reprogramming Request
- Draft of ASC Roundtable Summary

## **GRANT REIMBURSEMENTS**

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

**FYI - INFORMATIONAL ITEMS**

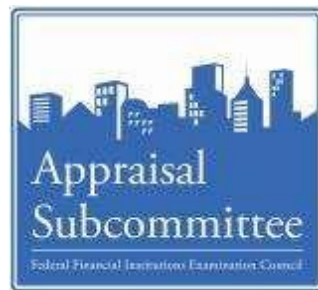
- FY19 ASC Operating Plan
- FY18 ASC Annual Employee Survey Results
- Appraiser Credential Report through December 31, 2018
- State Program Status Report through January 17, 2019
- Compliance Review Reports: Arizona, California, Colorado, Massachusetts, Michigan, Minnesota, North Carolina, North Dakota, Oregon, Pennsylvania, South Dakota, Vermont, Washington
- Follow-up Compliance Review Reports: Illinois, New Mexico, Washington
- AMC Compliance Review Reports: Arizona, California, Minnesota
- Articles from Realtor.Com and Realtor Magazine regarding the agencies' proposal to increase the threshold from \$250,000 to \$400,000
- White Paper from the Appraisal Foundation regarding Requests for Consideration
- Press Release from the Appraisal Foundation regarding the increase in first-time test takers
- Approved minutes of the April 23, 2018, May 9, 2018 and June 8, 2018 ASC Open Session Meeting

**BRIEFING SUMMARY NOTES**

- Summary Notes from the August 14<sup>th</sup>, August 23<sup>rd</sup>, August 29<sup>th</sup> and November 1<sup>st</sup> ASC Briefings

# Open Session Cover Page

February 13, 2019



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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## Agenda

**Date:** February 13, 2019  
**Time:** 10:00 a.m.  
**Location:** FRB, International Square  
1850 K Street NW (Anacostia Room – 4<sup>th</sup> Floor)  
Washington, DC 20006  
Metro Stop: Farragut West - 18th Street Exit

<b>Open Session</b>
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### Reports

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

### Action and Discussion Items

- |   |          |
|---|----------|
| • August 29, 2018 Open Session Minutes                      | A. Lindo |
| • Reprogramming Request for FY18 Appraisal Foundation Grant | G. Hull  |
| • ASC Roundtable Summary                                    | J. Park  |

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**Appraisal Subcommittee**  
*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee  
**FROM:** Jim Park, Executive Director  
**DATE:** January 30, 2019  
**RE:** February 13, 2019 ASC Report

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**2018 Accomplishments**

Before moving on to 2019 objectives, I wanted to provide a brief review of the agency's 2018 accomplishments. In 2018, several long term objectives were met. Most significantly, the first aspects of federal (ASC) appraisal management company (AMC) regulation were initiated, including the opening of the National Registry of AMCs in July, approval of 26 State 1-year extension requests and, in August, we began Compliance Reviews of participating State AMC regulatory programs.

In April, the ASC held a Special Meeting to address the TriStar Bank Temporary Waiver request.

In November, ASC hosted its second Roundtable Event. Over 60 experts, representing more than 40 companies from various aspects of the residential and commercial mortgage lending industry participated in presentations and discussion on the impact of fintech on the valuation of real estate and regulation of real estate appraisals.

The ASC ended 2018 in a sound financial position. FY18 should end with a small surplus instead of the small loss budgeted. A 2019-24 Strategic Plan was approved in August and staff transitioned to full-time remote duty in October. The transition went as planned and staff appears to have adjusted well to the new work environment.

In general, ASC affairs were carried out consistent with the 2018 Operating Plan.

**National Registry of AMCs (AMC Registry)**

Since my report in December, two additional States, Nebraska and Oregon, began adding AMCs to the National Registry bringing the total to five States.

### **ASC Roundtable**

Attached is a summary of the November 2018 ASC Roundtable. Staff plans to distribute the summary to the meeting attendees.

### **Appraisal Foundation Monitoring and Review**

#### **Appraisal Standards Board (ASB)**

On December 12, 2018, the ASB issued the Third Exposure Draft of proposed changes for the 2020-21 version of USPAP. Among other changes, the ASB is proposing to eliminate the Restricted Appraisal Report. Instead, USPAP would include a minimum set of reporting requirements which would constitute an Appraisal Report. Public feedback from the first two exposure drafts was generally positive. However, recently there has been significant feedback from the industry (including two previous ASB Chairmen) that the proposed changes may have unintended consequences that haven't been considered.

#### **Appraiser Qualifications Board (AQB)**

Denise Graves and I attended a two-day work session, January 17-18, in Manhattan Beach, CA. The work session focused on the Practical Applications in Real Estate Appraisal (PAREA) project in order to accelerate its completion.

The Foundation has identified two companies that specialize in virtual training that the Foundation considers qualified to develop PAREA. The company selected will develop an example of what the final product will look like. The Foundation plans to demonstrate the example at the May 2019 AARO meeting. Three individuals were selected as subject matter experts (SME) to develop the content for the virtual training.

ASC staff is concerned that the Foundation is selecting their project partners (companies and individuals) in a closed process. It's not clear what criteria is being used to select these partners.

#### **Board of Trustees**

I attended the Board of Trustees Executive Committee meeting January 5<sup>th</sup> in Houston, TX. The Executive Committee meets in January every year to discuss priorities for the upcoming year. This year they also worked on a new vision and mission statement.

### **Investigator Training Program**

AARO has requested several changes to the existing MOU with the Foundation. Regardless of whether the Foundation and AARO are able to resolve the current issues with the MOU, the 2019 Investigator Training classes are scheduled and should not be negatively impacted.

### **National Registry of Appraisers (Appraiser Registry)**

There are 42 States using the Unique Identification Number (UID) software. Eight States are using the SOAP system. While most States appear to be amenable to the UID implementation, at least two States have not been making any effort to participate. Staff plans to work more directly with these States during the early stages of 2019. If unsuccessful, the ASC may need to consider rulemaking to finalize this project.

### **ASC Finances**

The financial outlook was positive at the end of the first quarter. Revenue received is 130% of budget largely due to \$148,000 in unbudgeted AMC registry fee revenue. However, appraiser registry fees are also over \$100,000 in excess of budget. We expect the appraiser registry fees to level off, but we do not know what the AMC registry revenue will be. Expenses are currently running 86% of budget.

The FY18 audit is nearly completed. However, the staffing issue at the OMB due to the government shutdown is preventing the audit from being finalized at this time.

### **Other Meetings and Presentations**

January 15 - Follow-up meeting in Nashville, TN with the banking commission, bankers association, appraisal commission and TriStar Bank.

Attachment  
November 5, 2018 ASC Roundtable Summary

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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## ASC Roundtable Summary

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The Appraisal Subcommittee (ASC) hosted its second annual Roundtable, *The Evolving Real Estate Valuation Landscape II*. The Roundtable took place on Monday, November 5, 2018, at the Office of the Comptroller of the Currency (OCC) in Washington, DC. Sixty-six participants and 43 organizations representing Federal and State agencies, as well as the private and non-profit sectors took part in the day-long event.

The discussion focused on the integration of financial technology within today's appraisal landscape. The purpose of the Roundtable was to provide a forum for dialogue between stakeholders with varying perspectives and priorities with the goal of developing a common approach to the integration of technology into the valuation process.

The Roundtable started with presentations by panel members representing the U.S. Department of the Treasury, American Bankers Association, Housing Policy Council and Montana Board of Real Estate Appraisers. Following the presentations, participants divided into 8 separate discussion tables to address the topic of technology integration in residential and commercial real property valuation. Particular focus was given to residential and commercial lending where technology is already having an impact. The afternoon session brought all attendees together to address the issues in a plenary setting.

In general, it was acknowledged that technology (*e.g.* artificial intelligence and data) will continue to evolve the valuation landscape at an ever-increasing pace. There was also a general consensus that Federal and State regulators, valuation providers, standards setters, the securitization market and other real estate valuation industry stakeholders should continue working together to ensure that: (1) a degree of parity exists among the various constituencies;



and (2) applicability and risk of these tools are understood while at the same time not overly restricting their use and benefits to marketplace.

Topics of discussion where there was general consensus included:

- Importance of integrating human element and technology
- Consideration of uniform standards for data and technology used in all types of valuations (*e.g.*, appraisals, evaluation, automated valuation models [AVMs])
- Advantage of access to more data by the appraisal profession
- Need for definitions/product descriptions for new products such as hybrid and bifurcated appraisals
- Support for review of existing statutes/regulations
- Value of regulators, lenders, the valuation profession, and vendors embracing innovation while understanding and containing underlying risk
- Concern over private equity providers versus regulated institutions and potential impact to the marketplace

Other topics of discussion included:

- Regulation of innovative technology products
- Use of automation in commercial property valuation
- Performing collateral valuation at the beginning of the loan manufacturing process rather than later in the process
- Degree to which AVMs and other automated tools should be used in lieu of traditional appraisals

- If, how and to what degree appraisal professionals, lenders, regulators and others should be allowed access to the growing pools of data

ASC Roundtables provide a valuable forum to share information and facilitate discussion with industry thought leaders involved in real property valuation. In conformance with the ASC's 2019-23 Strategic Plan, the ASC intends to continue hosting events such as this to facilitate effective and efficient valuation services and regulation.

Comments are welcome and can be sent to [jim@asc.gov](mailto:jim@asc.gov).

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
AUGUST 29, 2018**

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 – 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  
Administrative Officer – Brian Kelly  
Policy Manager – Jenny Tidwell

**OBSERVERS:** Appraisal Foundation – Dave Bunton  
Appraisal Foundation – Edna Nkemngu  
Appraisal Institute – Brian Rodgers  
CFPB – Deana Krumhansl  
CFPB – Philip Neary  
FDIC – Michael Briggs  
FDIC – Rich Foley  
FDIC – Ben Gibbs  
FRB – Gillian Burgess  
FRB – Carmen Holly  
FRB – Matt Suntag  
FRB – Kirin Walsh  
OCC – Will Binkley  
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. He said that the FFIEC will meet on September 13<sup>th</sup>, but the ASC is not scheduled to make a presentation at that meeting.

- **Executive Director**

J. Park updated the ASC on recent staff activities.

- J. Park reported that the AMC Registry was operational on July 16, 2018. Rhode Island has added seven AMCs thus far. ASC staff developed a PowerPoint presentation that provides an overview of the AMC Registry system as well as a YouTube webinar entitled “Implementation of AMC Programs for State Regulators.” Links to both items are in the What’s New box on the ASC website. Also available on the website is a chart showing the States’ Status on Implementation of AMC Programs.
- On August 1<sup>st</sup>, the ASC received a joint temporary waiver submission from the North Dakota Governor’s Office, North Dakota Department of Financial Institutions and North Dakota Bankers Association. The ASC staff is currently reviewing the submission.

- ASC staff attended the Appraisal Standards Board (ASB) Work Session in July in Washington, DC and the Appraisal Foundation Board of Trustees Meeting in June in Cleveland, OH.
- Under other items, J. Park announced that ASC staff will be working remotely as of October 1, 2018. ASC staff will have a mailing address and office space available for meetings and staff use. G. Hull was presented with a plaque for five years of service with the ASC and A. Ritter was presented with a plaque for ten years of service.
- **Delegated State Compliance Reviews**

A. Bohorfoush reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's May 9<sup>th</sup> Meeting. Eight State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Connecticut and Louisiana were both awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Alabama, Arkansas, Georgia, Missouri, Nevada and Texas were awarded a Finding of "Good" and all will remain on a two-year Review Cycle.

A. Bohorfoush said that Illinois has addressed each of the ASC's concerns. A Follow-up Review is scheduled for September 5<sup>th</sup>.
- **Financial Manager**

G. Hull reported that National Registry fee revenue as of June 30<sup>th</sup> was \$2.9M. This is a \$300,000 increase over the same period in 2017 and 84% of the total targeted FY18 revenue estimate of \$3.5M. Expenditures through June 30<sup>th</sup> totaled \$2.8M. This represents 78% of the ASC's total budgeted expenditure amount of \$3.6M. The cumulative ASC Reserve balance, as of June 30<sup>th</sup>, was \$4.8M. He added that, due to increased revenue collections and asset expense reclassification, along with savings in the areas of travel and unexpended grant funds, the ASC is projecting a net loss of approximately \$21,000.

G. Hull reported that the Appraisal Foundation (Foundation) submitted grant reimbursement requests for January-April in the amounts of \$18,000, \$44,000, \$21,000 and \$45,000, respectively. These requests covered costs for AQB and ASB expenses for Meetings as well as the Investigator Training Program. Of the \$660,000 total grant award, \$404,000 remains available.

- **Notation Votes**

- **Notation Vote to approve the 2017 ASC Annual Report**

The notation vote passed by a 7-0 vote on May 11, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019, for the State of South Dakota to establish an AMC registration and supervision program**

The notation vote passed 7-0 on June 25, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019, for the State of Michigan to establish an AMC registration and supervision program**

The notation vote passed 7-0 on July 31, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019 for the District of Columbia to establish an AMC registration and supervision program**

The notation vote passed 7-0 on July 31, 2018.

- **Notation Vote on the Request for Extension of the Implementation Period to August 10, 2019 for the State of New Hampshire to establish an AMC registration and supervision program**

The notation vote passed on a 7-0 vote on July 31, 2018.

## **ACTION ITEMS**

- **April 23, 2018 Open Session Minutes**

R. Taft made a motion to approve the April 23<sup>rd</sup> open session meeting minutes as amended by M. Hatheway. V. Spicer seconded and all members present voted to approve.

- **May 9, 2018 Open Session Minutes**

M. Hatheway made a motion to approve the May 9<sup>th</sup> open session meeting minutes as presented. R. Taft seconded and all members present voted to approve.

- **June 8, 2018 Open Session Minutes**

M. Hatheway made a motion to approve the June 8<sup>th</sup> open session meeting minutes as presented. R. Taft seconded and all members present voted to approve.

- **Appraisal Foundation FY19 Grant Proposal**

D. Bunton and E. Nkemngu were present from the Foundation to discuss the FY19 Grant Proposal. They reported the following:

The Foundation adopted AQB Criteria revisions for alternative pathways to obtain a credential; it has been very well received thus far. The Foundation is working on *Practical Applications of Real Estate Appraisal*, which is simulated training using various property models. The program will consist of 75% simulated appraisals and 25% supervisory training. Exam statistics thus far in 2018 indicate a 20% increase in first-time test takers from 2016-17.



The ASB distributed a survey to approximately 500 key stakeholders regarding emerging issues not covered in USPAP. Approximately 100 responses were received. Topics addressed were hybrid and bifurcated appraisals as well as evaluations. The Foundation is proposing one reporting format; users would determine if an appraisal report would be restricted and would need to include a disclaimer as to its purpose.

R. Taft asked if the proposed format would still be called a report. D. Bunton responded that there is no specific terminology as noted in the current Exposure Draft out for comment. R. Witt asked if USPAP would note what has to be contained in the report and what has to be contained in the work file. D. Bunton responded that he would forward the question to J. Brennan. Regarding the simulated training, A. Lindo asked if the simulations would be easily adjustable to match changing economic conditions. D. Bunton responded that a 12-minute demo is being developed for the upcoming AQB Meeting. The Foundation has not partnered with a company to develop the simulations and will go through the Request for Proposal process. R. Witt said that Trainees will still need to find a Supervisory Appraiser for the hands-on training.

In regard to the Investigator Training Program (ITP), D. Bunton said approximately 1,000 State staff have attended the three courses. Attendance at levels two and three decreased in 2018, so the fund request for 2019 decreased as well. He added the request for \$2,000 for an instructional designer has been removed from the Proposal. A. Lindo asked what the biggest challenge for the Foundation has been thus far in 2018. D. Bunton responded that there have

been efforts in States to carve out USPAP exemptions. He added that proposed changes in USPAP should reduce that effort. The Foundation is also considering extending the cycle of USPAP to 3-4 years rather than the current 2-year cycle. The International Valuation Standards have gone to a 4-year cycle. There is the unanswered question of what will happen if there is a change that takes place mid-cycle. A. Lindo asked how alternatives to USPAP are affecting appraisals. D. Bunton responded that Virginia allows appraisals that are not in compliance with USPAP; but the Federal interagency guidelines still need to be followed.

- **FY19 ASC Budget Proposal**

J. Park discussed the FY19 ASC budget proposal. The ASC may see an increase in revenue based on FY18 projected revenue. J. Park said the Bureau of Labor Statistics is anticipating a 14% increase in appraisers/assessors. AMC Revenue is not included in the FY19 budget proposal. Regarding expenses, J. Park said converting all staff to remote duty will save approximately \$250,000 in lease and personnel expenses. A. Lindo asked how staff would communicate once all staff are working remotely. J. Park responded that staff currently uses Skype and Microsoft Team to work collaboratively. He added that personnel expenses would increase due to a proposed 1.9% salary increase and scheduled staff step increases. The proposed budget also requests to fill the vacant Regulatory Affairs Specialist and a new Grant Administrator position. Travel costs were increased due to adding an extra day to Compliance Reviews to review States' AMC Programs. Staff also anticipates a 59% increase

in contracted services by GSA/USDA. Asset depreciation is included in the budget proposal; this was not included in previous budgets. A request of \$10,000 was also included in the proposal to develop an AMC Investigation Training Course and \$10,000 for the Roundtable in November. M. Hatheway asked about where data would be housed, as well as costs for IT servers. B. Kelly responded that the servers are stored with our data center. Internally the ASC uses Office 365 under a contract with government-secured services. M. Hatheway asked if files are backed up regularly. B. Kelly responded that files are backed up nightly to a data center outside of the Washington, DC area. He added that \$40,000 is included in the budget proposal to create a back-up and recovery service to support the server network. The addition of this feature would provide a 48-72 hour recovery window if any files needed to be restored.

J. Park said ASC staff is recommending \$350,000 for the Foundation grant to cover grant-eligible activities of the AQB and ASB and \$278,000 for the ITP. The Foundation requested \$730,000 to fund the grant-eligible activities of the AQB and ASB. If that amount were approved, the ASC would have to use a significant portion of its Reserve. M. Hatheway asked how the Foundation would use the **proceeds of a separate, related request to reprogram \$8,000 requested** for course redesign. D. Bunton responded that \$7,500 is budgeted, which amounts to \$2,500 per course. The total was raised to \$8,000 to cover more extensive revisions **to be developed by an instructor and former Foundation board member**. M. Hatheway suggested that an independent consultant who does not have ties to the Foundation should be used **to ensure transparency of selection and content development**. After further

discussion, R. Taft moved to approve the FY19 ASC budget as presented and to approve the FY19 Foundation grants in the amounts of \$350,000 for grant-eligible activities of the AQB and ASB and \$278,000 for the ITP. C. Walker seconded and all members present voted to approve.

- **FY19-23 ASC Strategic Plan**

J. Park presented the FY19-23 ASC Strategic Plan which would become effective on October 1, 2018, if approved. He met with ASC members over the past several months to discuss the Strategic Plan. V. Spicer moved to approve the Plan with edits as discussed. R. Taft seconded and all members present voted to approve. A. Lindo requested semi-annual progress reports from ASC staff at Open Session Meetings.

The Open Session adjourned at 11:15 a.m. The next ASC Meeting will be November 14, 2018.

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## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** February 13, 2019

**RE:** FY18 Appraisal Foundation Request for Reimbursement of Reprogrammed Expenses

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The Appraisal Foundation (Foundation) has submitted a \$25,634 reprogramming request for the ASC's 2018 grant to the Foundation. Attached are the Foundation's November 28, 2018 letter and reimbursement request support. To date, the Foundation has been reimbursed \$307,041 of the \$350,000 approved for 2018.

As of September 30, 2018, the Appraiser Qualifications Board (AQB) budget was \$202,000 with \$173,092 total expenses. The remaining AQB grant funds were \$28,908. The Appraisal Standards Board (ASB) budget was \$148,000 with \$133,949 total expenses. The remaining ASB grant funds were \$14,051. The total remaining 2018 grant balance for the AQB and ASB was therefore \$42,959.

The Foundation is requesting reprogramming of \$25,634 of the remaining 2018 grant balance as follows:

- \$8,280 to be reprogrammed to AQB salaries and fringe benefits<sup>1</sup>
- \$3,302 to be reprogrammed to AQB travel<sup>2</sup>
- \$10,859 to be reprogrammed to ASB salaries and fringe benefits<sup>3</sup>
- \$3,193 to be reprogrammed to ASB travel<sup>4</sup>

**Recommendation** – Staff reviewed the documentation provided by TAF. We compared claimed reimbursements and requested reprogramming against the 2018 ASC approved grant and against our records from attending TAF meetings and reviewing both public and private TAF documents. We analyzed the reimbursements using testing techniques recommended by our

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<sup>1</sup> Salaries for the AQB in 2018 totaled \$42,520. TAF budgeted \$38,686 for these services, with the actual cost of these services exceeding the budgeted amount by \$3,834. The fringe benefits and overhead costs associated with these additional expenditures totaled \$49,310, thereby resulting in total additional labor costs of \$4,446.

<sup>2</sup> AQB travel costs for 2018 totaled \$65,562. TAF budgeted \$62,260 for these services, with the actual costs exceeding the budgeted amount by \$3,302.

<sup>3</sup> Salaries for the ASB in 2018 totaled \$43,794. TAF budgeted \$38,766 for these services, with the actual costs exceeding the budgeted amount by \$5,028. The fringe benefits and overhead costs associated with these additional expenditures totaled \$50,787, thereby resulting in total additional labor costs of \$5,831.

<sup>4</sup> ASB travel costs for 2018 totaled \$37,913. TAF budgeted \$34,720 for these services, with the actual costs exceeding the budgeted amount by \$3,193.

auditors. We concur that areas of increased costs were grant-eligible, and staff recommends approval of TAF's \$25,634 reprogramming request. Approval of the request would bring total reimbursements to \$332,674 of the total \$350,000 grant amount approved for 2018.



1155 15th Street, NW, Suite 1111

Washington, DC 20005

T 202.347.7722

F 202.347.7727

November 27, 2018

Mr. James Park  
Executive Director  
Appraisal Subcommittee  
1325 G. Street, N.W.  
Suite 500  
Washington, DC 20005

Ref: 2017-2018 Grant Number ASC00096

Request for Reallocation Among Cost Categories

Dear Jim:

The Appraisal Foundation has submitted reimbursement requests totaling \$307,041 of the 2017-2018 Operating Grant award amount of \$350,000, leaving an unused balance of \$42,959. This is a request to reallocate expenses among the original budget categories of this grant in order to be reimbursed for the balance of the award.

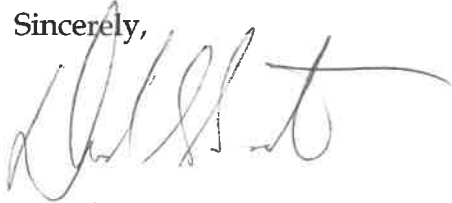
You will recall that our Grant Proposal was for \$814,410 for the Title XI-related expenses of the Appraisal Standards Board and the Appraiser Qualifications Board. We allocated the approved amount of \$350,000 between these two boards.

For both boards, we were over budget in salaries and travel expenses while being under budget for consulting, subcontractor and legal expenses. Our final Grant Budget Summary reflecting the proposed reallocation of the award balance is attached for reference. We would be pleased to meet with you to discuss any question or concerns you might have.

I can be reached at (202) 624-3040 or by e-mail at [david@appraisalfoundation.org](mailto:david@appraisalfoundation.org).  
Questions can also be directed to Edna Nkemngu, Director of Finance and  
Administration. She can be reached at (202) 624-3068 or by e-mail at  
[edna@appraisalfoundation.org](mailto:edna@appraisalfoundation.org).

Thank you in advance for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Bunton", with a long horizontal flourish extending to the right.

David S. Bunton  
President

Enclosure



# REQUEST FOR ADVANCE OR REIMBURSEMENT

(See instructions on back)

OMB APPROVAL NO. **0348-0004** PAGE **1** OF **2** PAGES

1. TYPE OF PAYMENT REQUESTED

a. "X" one or both boxes  
 ADVANCE  REIMBURSEMENT

b. "X" the applicable box  
 FINAL  PARTIAL

2. BASIS OF REQUEST

CASH  
 ACCRUAL

3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED

**GSA/APPRaisal SUBCOMMITTEE, FFEIC**

4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY

**ASC00096/ASC00097**

5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST

**13**

6. EMPLOYER IDENTIFICATION NUMBER

**23-2493621**

7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER

8. PERIOD COVERED BY THIS REQUEST

FROM (month, day, year) **SEPTEMBER 1, 2018**

TO (month, day, year) **SEPTEMBER 30, 2018**

9. RECIPIENT ORGANIZATION

Name: **THE APPRAISAL FOUNDATION**

Number and Street: **1155 15TH STREET NW, STE. 1111**

City, State and ZIP Code: **WASHINGTON, DC 20005**

10. PAYEE (Where check is to be sent if different than item 9)

Name:

Number and Street:

City, State and ZIP Code:

## 11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES	(a) OPERATING	(b) INVESTIGATOR	(c)	TOTAL
a. Total program outlays to date (As of date)	\$ 332,675.00	\$ 213,036.00	\$	\$ 545,711.00
b. Less: Cumulative program income				0.00
c. Net program outlays (Line a minus line b)	332,675.00	213,036.00	0.00	545,711.00
d. Estimated net cash outlays for advance period				0.00
e. Total (Sum of lines c & d)	332,675.00	213,036.00	0.00	545,711.00
f. Non-Federal share of amount on line e				0.00
g. Federal share of amount on line e	332,675.00	213,036.00		545,711.00
h. Federal payments previously requested	307,041.00	213,036.00		520,077.00
i. Federal share now requested (Line g minus line h)	25,634.00	0.00	0.00	25,634.00
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month			0.00
	2nd month			0.00
	3rd month			0.00

## 12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	\$
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (Line a minus line b)	\$ 0.00

13.

**CERTIFICATION**

I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.

SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL



DATE REQUEST SUBMITTED

November 27, 2018

TYPED OR PRINTED NAME AND TITLE

DAVID S. BUNTON, PRESIDENT

TELEPHONE (AREA CODE, NUMBER, EXTENSION)

202-624-3040

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

**PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.**

**INSTRUCTIONS**

Please type or print legibly. Items 1, 3, 5, 9, 10, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

<i>Item</i>	<i>Entry</i>	<i>Item</i>	<i>Entry</i>
2	Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis.		activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page.
4	Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency. If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then, show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement.	11a	Enter in "as of date," the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees.
6	Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the Federal agency.	11b	Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement.
7	This space is reserved for an account number or other identifying number that may be assigned by the recipient.	11d	Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance.
8	Enter the month, day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested.	13	Complete the certification before submitting this request.
Note:	The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports.		
11	The purpose of the vertical columns (a), (b), and (c) is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or		

THE APPRAISAL FOUNDATION  
 2017-2018 GRANT BUDGET SUMMARY  
 BEFORE REPROGRAMMING REQUEST

	TOTAL AQB	GRANT BUDGET	(OVER) UNDER	TOTAL ASB	GRANT BUDGET	(OVER) UNDER	TOTAL ITP	GRANT BUDGET	(OVER) UNDER	SUMMARY ALL PROGRAMS	TOTAL GRANT BUDGET	BALANCE REMAINING (over)under
<u>DIRECT LABOR</u>	38,686	38,686	(0)	38,766	38,766	-	19,427	24,801	5,374	96,879	102,253	5,374
Fringe @ 29.4%	11,374	11,374	(0)	11,397	11,397	-	5,711	7,291	1,580	28,482	30,062	1,580
Direct Labor + Fringe	50,060	50,060	(0)	50,163	50,163	-	25,138	32,092	6,955	125,361	132,315	6,955
Overhead @ 66.9%	33,490	33,490	(0)	33,559	33,559	-	16,817	21,470	4,653	83,866	88,519	4,653
TOTAL INDIRECT COST												
REIMBURSEMENT (Fringe + OH)	44,864	44,864	(0)	44,956	44,956	-	22,529	28,761	6,233	112,349	118,581	6,233
<u>EXPENSES:</u>												
Postage and Delivery				-			1,198	1,682	484	1,198	1,682	484
Printing				-			8,076	12,750	4,674	8,076	12,750	4,674
Legal	-	2,500	2,500	525	1,433	908	-	-	-	525	3,933	3,408
Consulting	17,363	29,500	12,138	14,981	28,125	13,144	20,700	28,000	7,300	53,044	85,625	32,581
Travel	62,260	62,260	-	34,720	34,720	-	141,107	214,005	72,898	238,087	310,985	72,898
Subcontractor	9,920	24,190	14,270	-	-	-	-	-	-	9,920	24,190	14,270
Total Expenses	89,543	118,450	28,908	50,226	64,278	14,052	171,080	256,438	85,358	310,849	439,166	128,317
TOTAL DIRECT LABOR +												
INDIRECT COSTS + EXPENSES	173,092	202,000	28,907	133,949	148,000	14,052	213,036	310,000	96,965	<u>520,076</u>	<u>660,000</u>	<u>139,924</u>

THE APPRAISAL FOUNDATION  
 2017-2018 GRANT BUDGET SUMMARY  
 YEAR-TO-DATE @ SEPTEMBER, 2018  
 WITH REPROGRAMMING REQUEST

	TOTAL AQB	GRANT BUDGET	(OVER) UNDER	TOTAL ASB	GRANT BUDGET	(OVER) UNDER	TOTAL ITP	GRANT BUDGET	(OVER) UNDER	SUMMARY ALL PROGRAMS	TOTAL GRANT BUDGET	BALANCE REMAINING (over)under
<u>DIRECT LABOR</u>	42,520	38,686	(3,834)	43,794	38,766	(5,028)	19,427	24,801	5,374	105,741	102,253	(3,488)
Fringe @ 29.4%	12,501	11,374	(1,127)	12,875	11,397	(1,478)	5,711	7,291	1,580	31,088	30,062	(1,025)
Direct Labor + Fringe	55,021	50,060	(4,961)	56,669	50,163	(6,506)	25,138	32,092	6,955	136,828	132,315	(4,513)
Overhead @ 66.9%	36,809	33,490	(3,319)	37,912	33,559	(4,353)	16,817	21,470	4,653	91,538	88,519	(3,019)
TOTAL INDIRECT COST												
REIMBURSEMENT (Fringe + OH)	49,310	44,864	(4,446)	50,787	44,956	(5,831)	22,529	28,761	6,233	122,626	118,581	(4,044)
<u>EXPENSES:</u>												
Postage and Delivery				-			1,198	1,682	484	1,198	1,682	484
Printing				-			8,076	12,750	4,674	8,076	12,750	4,674
Legal	-	2,500	2,500	525	1,433	908	-	-	-	525	3,933	3,408
Consulting	17,363	29,500	12,138	14,981	28,125	13,144	20,700	28,000	7,300	53,044	85,625	32,581
Travel	65,562	62,260	(3,302)	37,913	34,720	(3,193)	141,107	214,005	72,898	244,582	310,985	66,403
Subcontractor	9,920	24,190	14,270	-	-	-	-	-	-	9,920	24,190	14,270
Total Expenses	92,845	118,450	25,606	53,419	64,278	10,859	171,080	256,438	85,358	317,344	439,166	121,822
TOTAL DIRECT LABOR +												
INDIRECT COSTS + EXPENSES	184,674	202,000	17,325	148,000	148,000	(0)	213,036	310,000	96,965	<u>545,711</u>	<u>660,000</u>	<u>114,290</u>





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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## ASC Roundtable Summary

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The Appraisal Subcommittee (ASC) hosted its second annual Roundtable, *The Evolving Real Estate Valuation Landscape II*. The Roundtable took place on Monday, November 5, 2018, at the Office of the Comptroller of the Currency (OCC) in Washington, DC. Sixty-six participants and 43 organizations representing Federal and State agencies, as well as the private and non-profit sectors took part in the day-long event.

The discussion focused on the integration of financial technology within today's appraisal landscape. The purpose of the Roundtable was to provide a forum for dialogue between stakeholders with varying perspectives and priorities with the goal of developing a common approach to the integration of technology into the valuation process.

The Roundtable started with presentations by panel members representing the U.S. Department of the Treasury, American Bankers Association, Housing Policy Council and Montana Board of Real Estate Appraisers. Following the presentations, participants divided into 8 separate discussion tables to address the topic of technology integration in residential and commercial real property valuation. Particular focus was given to residential and commercial lending where technology is already having an impact. The afternoon session brought all attendees together to address the issues in a plenary setting.

In general, it was acknowledged that technology (*e.g.* artificial intelligence and data) will continue to evolve the valuation landscape at an ever-increasing pace. There was also a general consensus that Federal and State regulators, valuation providers, standards setters, the securitization market and other real estate valuation industry stakeholders should continue working together to ensure that: (1) a degree of parity exists among the various constituencies;

and (2) applicability and risk of these tools are understood while at the same time not overly restricting their use and benefits to marketplace.

Topics of discussion where there was general consensus included:

- Importance of integrating human element and technology
- Consideration of uniform standards for data and technology used in all types of valuations (*e.g.*, appraisals, evaluation, automated valuation models [AVMs])
- Advantage of access to more data by the appraisal profession
- Need for definitions/product descriptions for new products such as hybrid and bifurcated appraisals
- Support for review of existing statutes/regulations
- Value of regulators, lenders, the valuation profession, and vendors embracing innovation while understanding and containing underlying risk
- Concern over private equity providers versus regulated institutions and potential impact to the marketplace

Other topics of discussion included:

- Regulation of innovative technology products
- Use of automation in commercial property valuation
- Performing collateral valuation at the beginning of the loan manufacturing process rather than later in the process
- Degree to which AVMs and other automated tools should be used in lieu of traditional appraisals



- If, how and to what degree appraisal professionals, lenders, regulators and others should be allowed access to the growing pools of data

ASC Roundtables provide a valuable forum to share information and facilitate discussion with industry thought leaders involved in real property valuation. In conformance with the ASC's 2019-23 Strategic Plan, the ASC intends to continue hosting events such as this to facilitate effective and efficient valuation services and regulation.

Comments are welcome and can be sent to [jim@asc.gov](mailto:jim@asc.gov).