Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: July 13, 2016

RE: Executive Director's Report

Appraisal Subcommittee Meetings and Briefings

The next ASC Meeting will be held at 10:00 a.m. July 13, 2016, at the Federal Reserve Board facilities, International Square, 1850 K Street NW, 4th Floor, Washington, DC. There will be an Open session and a Briefing is scheduled to follow the Meeting. Briefing materials will be made available approximately one week prior to the Meeting. We will alert you to their availability. If anyone experiences any problems accessing the materials, please contact Brian Kelly at brian@asc.gov or (202) 595-7579 for assistance.

Appraisal Foundation Monitoring and Review

Board of Trustees

Vicki Ledbetter-Metcalf and I attended the Spring Board of Trustees (BOT) meetings May 12-14 in Naples, FL. The meetings focused on selecting new members to the BOT and the Appraisal Practices Board (APB) to replace departing members. Two new members were added to the BOT, Larry Disney and Dayton North. Mark Levine was also reappointed to a second term. Two new members were also added to the APB: Greg Franceschi and Greg Graybadger. Two current members of the APB, Shawn Wilson and Lisa Demaris were also reappointed.

During the meetings, the Foundation reported that its financial condition was improving and anticipates ending the year in the black. The attached summary of the unaudited financial reports shows that revenue is up almost $800,000 over the same period last year and expenses are down almost $170,000.

Appraisal Standards Board

Vicki and I also attended the June 16-17 Appraisal Standards Board (ASB) meetings in Indianapolis, IN. The ASB met to review and discuss the comments received on their First Exposure Draft of Proposed Changes for the 2018-19 edition of USPAP. They also met in public to present the proposed changes and accept public comments. There were approximately 25 observers in the room. The ASB continues to address the definition of a Report and by extension draft appraisal reports. Their current proposal would limit the definition of a Report to only those communications that included a signed certification and USPAP would not require that those draft or preliminary reports (no signed certification) be retained in the workfile. State regulators and many commenters have expressed concerns that these changes would conflict with several State laws and could lead to "value shopping" by users of appraisal services. The ASB is reviewing the comments and will issue a second exposure draft within the next several weeks.

During the meeting, the ASB publically acknowledged that errors were found in the 2016-17 USPAP publication that necessitated an errata sheet be issued. They also acknowledged errors in the current exposure draft. The need to issue an errata is highly unusual. However, I have expressed concerns for some time to the Foundation regarding the lack of professional and legal resources provided to the AQB and ASB.

Appraiser Qualifications Board

Denise Graves and I attended an AQB Meeting June 23-24 in Las Vegas, NV. This meeting was devoted to discussion of the 300+ comments they received on the proposed changes to the *AQB Real Property Appraiser Qualification Criteria*. The proposal to create an alternate track for licensed appraisers to become certified without a college degree received the most comments. Since the financial crash, licensed appraisers have had particularly difficult challenges due to restrictions place on the use of licensed appraisers by Congress and mortgage lenders. On top of those restrictions, the college degree requirement for certified appraisers is a significant deterrent for licensed appraisers to become certified, which the AQB has recognized. Comments represented many different views but the majority appeared to advocate for an alternate path to certification for individuals who have a lengthy track record in the appraisal profession but no college degree. Other commenters argued that there are too many appraisers already and this change is meant to water down the Criteria and bring more appraisers and competition into the profession. The AQB is also considering allowing experience from other related professions. The AQB took action on the current requirement that Supervisory Appraisers be in good standing as a certified appraiser for at least three years in the State where the Trainee is located. The AQB voted to amend the requirement by allowing a Certified appraiser to be in good standing for at least three years in any jurisdiction. Between the earlier discussion draft and this

exposure draft, the AQB has received over 600 comments on these proposals, the most ever received by one of the Foundation Boards on a particular topic.

Appraisal Foundation and State Grants

In February, ASC staff processed $28,955 in grant reimbursements ($27,515 for the Foundation Grant and $1,440 for the State Grant). In March, staff processed $15,895 in grant reimbursements ($13,436 for the Foundation Grant and $2,459 for the State Grant). The total for both months was $44,850.

During the July 13th Briefing, the Foundation staff will brief the ASC and answer questions regarding their anticipated FY17 grant request. The Foundation indicated they would be sending documents to distribute to the ASC prior to the Briefing. If anyone has any questions they would like forwarded to the Foundation in advance of the Briefing, please let me know.

Unique Identification Number (UID)

We anticipate initiating the UID within the next 2-3 months. We have reached out to all States and believe that States will participate voluntarily. Staff is working on the details of the rollout and will share those with the ASC once completed.

National Registry of Appraisal Management Companies (AMCs)

Development of the AMC Registry is in its final stages. This project mostly involved building a new database for the AMC Registry, as well as the Appraiser Registry. The existing website will serve both new Registries. The AMC Registry should be ready to stand up once the AMC fee rule is in final form.

Upcoming Meetings/Events

On July 12, I am scheduled to provide an ASC Update at the Valuation Expo in Baltimore, MD. These meetings are generally attended by several hundred appraisers, AMC representatives and regulators. These updates are a good opportunity to share with numerous stakeholders the important work of the ASC.

Attachments

Appraisal Foundation Financials

THE APPRAISAL FOUNDATION

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

FINANCIAL STATEMENTS

March 31, 2016

Unaudited

04/23/2016

The Appraisal Foundation

STATEMENT OF FINANCIAL POSITION
March 31, 2016

UNAUDITED

ASSETS

	2016	2015
CURRENT ASSETS:		
OPERATING RESERVES	1,033,958	468,030
SHORT-TERM RESERVES	401,360	31,577
LONG-TERM RESERVES	2,924,078	3,801,506
ACCOUNTS RECEIVABLE	52,669	52,956
GRANTS RECEIVABLE	74,642	150,834
ALLIANCE NOTE RECEIVABLE	381,177	313,244
ALLOWANCE FOR DOUBTFUL NOTES	(350,000)	0
PREPAID EXPENSES	129,497	119,249
PUBLICATIONS INVENTORY	103,137	39,263
TOTAL CURRENT ASSETS	4,750,518	4,976,660
PROPERTY AND EQUIPMENT:		
FURNITURE & EQUIPMENT	297,186	101,697
LEASEHOLD IMPROVEMENTS	114,859	114,859
LESS ACCUMULATED DEPRECIATION	(247,804)	(199,387)
PROPERTY AND EQUIPMENT, NET	164,241	17,169
OTHER ASSETS:		
DEPOSITS	51,119	155,705
TOTAL ASSETS	4,965,878	5,149,534

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
ACCOUNTS PAYABLE & ACCRUED EXPENSES	586,820	614,275
DEFERRED REVENUE	0	11,161
TOTAL CURRENT LIABILITIES	586,820	625,437
NET ASSETS:		
UNRESTRICTED	3,549,818	4,657,840
NET INCOME	829,240	(133,743)
TOTAL NET ASSETS	4,379,058	4,524,097
TOTAL LIABILITIES AND NET ASSETS	4,965,878	5,149,534

The Appraisal Foundation

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For The Period Ended March 31, 2016

UNAUDITED

	CURRENT YTD	ANNUAL BUDGET	ACTUAL AS % OF BUDGET	LAST YEAR YTD	LAST YR AS % OF BUDGET
REVENUE:					
GRANTS (INCLUDES EXAM GRANT)	59,633	639,477	9%	150,834	24%
SPONSORSHIP FEES	97,080	99,580	97%	100,872	101%
INDUSTRY ADVISORY COUNCIL FEES	45,000	96,000	47%	72,500	76%
USPAP SALES	924,078	2,205,000	42%	333,280	15%
POSTAGE REIMBURSEMENTS	47,762	90,000	53%	13,077	0%
SUBSCRIPTION AND INFO SERVICE	0	0	0%	3,447	0%
USPAP COURSES	387,750	908,150	43%	110,059	12%
INSTRUCTOR CERTIFICATION PROGRAM	38,350	55,985	69%	0	0%
COURSE APPROVAL PROGRAM FEES	51,563	150,000	34%	48,763	33%
APPRAISAL ISSUES TASK FORCE	6,800	0	0%	11,200	0%
ALLIANCE MANAGEMENT FEES	0	0	0%	22,500	0%
GAIN (LOSS) ON SECURITIES	66,052	0	0%	66,740	0%
INTEREST (NET OF ADVISOR FEES)	10,432	57,000	18%	7,323	13%
MISCELLANEOUS INCOME	625	0	0%	50	0%
TOTAL REVENUE	1,735,125	4,301,192	40%	940,644	
EXPENSES:					
PROGRAM SERVICES					
APPRAISER QUALIFICATIONS BOARD	75,292	471,806	16%	108,106	23%
APPRAISAL STANDARDS BOARD	73,679	323,619	23%	74,803	23%
APPRAISAL PRACTICES BOARD	61,407	225,713	27%	63,435	28%
BOARD OF TRUSTEES	120,282	784,272	15%	229,664	29%
PUBLICATIONS & INSTRUCTOR EDUC	196,158	533,489	37%	121,790	23%
INVESTIGATOR TRAINING	3,077	289,478	1%	74,676	26%
ALLIANCE FOR VALUATION EDUCATION	-4,056	61,769	-7%	15,788	26%
SPECIAL PROJECTS	6,145	0	0%	9,573	0%
TOTAL PROGRAM SERVICES	531,984	2,690,146	20%	697,834	
GENERAL AND ADMINISTRATIVE	373,901	1,510,064	25%	376,553	25%
TOTAL EXPENSES	905,885	4,200,210	22%	1,074,387	
EXCESS OF REVENUE OVER EXPENSES	829,240	100,982		-133,743	
NET ASSETS, BEGINNING OF YEAR	3,549,818			4,657,840	
NET ASSETS, END OF PERIOD	4,379,058	100,982		4,524,097	