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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: October 26, 2016

RE: November 9, 2016 ASC Meeting Package

The enclosed materials are for the November 9th ASC Meeting.

OPEN SESSION

- Agenda for November 9th ASC Open Session Meeting
- Reports
 - Chairman Lindo – Chairman’s Report
 - Mr. Park – Executive Director’s Report (Report attached)
 - Ms. Bohorfoush – Delegated State Compliance Reviews
 - Mr. Hull – Financial Report
- September 14th 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, November 7th. A revised draft incorporating any edits received will be provided for the November 9th Meeting.
- FY17 Grants Recommendation

ASC staff recommends funding the State Investigator Training Program in the amount of \$309,085 and \$350,000 for the Appraisal Foundation. An amount of \$100,000 is recommended for ASC Grants to the States.
- Revised Grant Policy
- Revised ASC Policy Statements

Attached is a memorandum outlining the changes that have been made as well as a clean version and redline version

GRANT REIMBURSEMENTS

- July and August 2016 Appraisal Foundation grant reimbursement requests that have been reviewed and approved by the ASC staff

FYI - INFORMATIONAL ITEMS

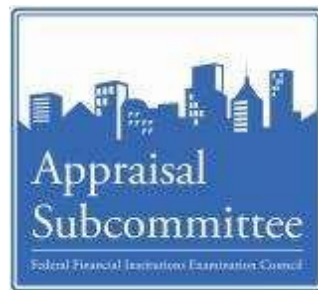
- Compliance Review Reports for: California, Connecticut, Nevada, Pennsylvania, South Dakota
- State Program Status Report
- A Press Release from Fannie Mae announcing the Day 1 Certainty Initiative. This new initiative is meant to provide Fannie Mae's customers with freedom from representations and warranties on key aspects of the mortgage origination process.
- A study from the Appraisal Institute on the real estate appraiser population from 2006-2016, as of June 30, 2016
- A September 14, 2016 article from the Washington Post on the increasing cost of real estate appraisals
- *Voice of the Appraiser* survey conducted by October Research, LLC
- Temporary Waiver to FIRREA Appraisal Requirements due to Severe Storms and Flooding in Louisiana
- The Second Exposure Draft of Proposed Changes to the Real Property Appraiser Qualification Criteria. Comments are due to the AQB by November 4, 2016.
- ASC staff comment letter responding to the ASB's Second Exposure Draft of 2018-19 USPAP changes
- 2016 Annual Employee Survey conducted by OPM of ASC employees
- Summary of Comments on the ASC Proposed Rule to Implement Collection and Transmission of Annual AMC Registry Fees
- A letter from ASC staff to States regarding the rollout of the Unique Identifier
- Approved minutes of the open meeting from the July 13th ASC Meeting

BRIEFING MATERIALS

- The agenda for the November 9th Briefing following the ASC Open Session Meeting

Open Session Cover Page

November 9, 2016



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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Agenda

Date: November 9, 2016
Time: 10:00 a.m.
Location: FRB, International Square
1850 K Street, NW
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**

Action and Discussion Items

- **September 14, 2016 Open Session Minutes** **A. Lindo**
- **FY17 ASC State and Appraisal Foundation Grants** **J. Park/G. Hull**
- **Amended FY17 ASC Budget** **J. Park/G. Hull**
- **Revised State Grant Policy** **J. Park**
- **Revised ASC Policy Statements** **A. Ritter**

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: October 26, 2016

RE: Executive Director's Report

Appraisal Subcommittee Meetings and Briefings

The next ASC Meeting will be held at 10:00 a.m. November 9, 2016, 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 following the Meeting. A Briefing will be held immediately following the ASC Meeting. The Meeting and Briefing materials are now available on the ASC website. 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

Appraisal Standards Board (ASB)

The ASB held a public meeting on October 21 and private work sessions on October 20 and 21. The major topic of discussion was the *Second Exposure Draft of Proposed Changes for 2018-19 Edition of the Uniform Standards of Professional Appraisal Practice*. The proposed changes are in the following areas:

- Definition of report
- Definition of assignment
- Extraordinary assumption
- STANDARD 3, Appraisal Review, Development and Reporting
- STANDARD 6 – Dividing into STANDARD 5, Mass Appraisal, Development and STANDARD 6, Mass Appraisal, Reporting
- Standards Rules 7-2(c), SR 7-5, and 8-2(v)

- Standards Rule 8-3
- Advisory Opinion 37, Computer Assisted Valuation Tools

Staff provided a written comment to the ASB regarding our concerns about the proposed changes to the definition of report. State and Federal regulators as well as others have voiced their concerns about this proposal due to the negative implications for enforcement and conflicts with State law. The ASB intends to issue a third exposure draft before the end of the year.

The October 21 public meeting was attended by over 100 State regulators, AMCs, appraisers and other industry stakeholders.

Appraiser Qualifications Board (AQB)

The AQB held no meetings since my last report.

Appraisal Practices Board (APB)

The APB held no meetings since my last report.

Appraisal Foundation/Appraisal Institute Relations

During the ASB work session Dave Bunton reported that relations between the two organizations have improved. They are working together on a couple of projects and the public criticisms of one another have eased. However, they still have some way to go before relations could be considered normalized.

Association of Appraisal Regulatory Officials (AARO)

AARO held its fall conference in Washington, DC. The conference had a strong turnout with over 185 attending. I gave a presentation on current ASC activities including the Unique Identification Number project and the AMC National Registry fee rulemaking. Several of the presentations focused on various aspects of AMC regulation. Appraiser supply and demand issues were discussed and the consensus appeared to be that recent declines in interest rates are driving strong mortgage lending demand at this time which will subside once interest rates increase. However, there are some concerns about the possibility of future shortages of appraisers.

Unique Identification Number (UID)

The initial letter announcing the process of implementation for the UID was sent to the States on October 20 (see FYI material). Among other details, the letter explains the three phase process

the ASC and States will use to ultimately deploy the UID through the States. We hope to have all 55 jurisdictions converted by the end of 2017. (See FYI documents)

National Registry of Appraisers and Appraisal Management Companies (AMCs)

Development of the AMC Registry is in its final stages. While there will be two outwardly facing National Registries (appraisers and AMCs) there is only one database. Therefore, building the AMC Registry also provided a good opportunity to update the coding and performance of the National Registry of Appraisers.

Fannie Mae Announces Increased Use of Property Inspection Waivers

Property inspection waiver (PIW) is an offer to waive the appraisal for certain refinance transactions. PIW offers are issued through Desktop Underwriter® (DU®) using Fannie Mae's database of more than 20 million appraisal reports in combination with proprietary analytics from Collateral Underwriter® (CU™) to determine the minimum level of property valuation required for loans delivered to Fannie Mae. Effective December 10, 2016, an enhanced PIW offering will be available to all lenders via DU.

Currently, approximately 3% of loans sold to Fannie Mae qualify for a PIW. Estimates are that this could increase to 10%.

Agencies waive appraisal requirements in 22 Louisiana Parishes

Pursuant to §1123 of Title XI of FIRREA ((Title XI), the federal banking agencies and NCUA issued an order exempting 22 Parishes in Louisiana from Title XI appraisal requirements. This exemption was ordered after the President declared those Parishes to be in a Major Disaster Area. The order runs from August 14 (date of Major Disaster Area declaration). The details of that order are included in the FYI section of the meeting materials.

Other Meetings and Presentations

On September 23-24, I attended the Association of Real Estate Licensing Law Officials conference in Vancouver, BC. I gave an ASC Update presentation at the conference.

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
SEPTEMBER 14, 2016**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Marianne Hatheway
FHFA – Robert Witt
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 – Dan Rhoads
Policy Manager – Neal Fenochietti
Management and Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly
Detaillee – Ada Bohorfoush

PRESENTERS: Appraisal Foundation – Dave Bunton
Appraisal Foundation – Edna Nkemngu

OBSERVERS: AARO – Larry Disney
Appraisal Institute – Brian Rodgers
e-Farm Credit – Dennis Badger
FDIC – Michael Briggs
FDIC – Kaye Finn
FDIC – Suzy Gardner
FDIC – Kimberly Stock
FDIC – Lauren Thompson
FRB – Virginia Gibbs
FRB – Carmen Holly
HUD – Robert Frazier
OCC- Chris Manthey
REVAA – Tom Tilton

The Meeting was called to order at 10:05 a.m. by Vice Chair R. Taft, who chaired the Meeting until A. Lindo arrived.

REPORTS

- **Chairman**

R. Taft welcomed observers to the Meeting. He provided an update on three items: (1) the comment period for the Notice of Proposed Rulemaking on the Implementation of AMC Fees closed on July 19th and ASC staff is analyzing the comments; (2) the FFIEC agencies are working through the Economic Growth and Regulatory Paperwork Reduction Act process and plan to have their recommendations to Congress by the end of the year; and (3) the ASC will continue to submit quarterly reports to the FFIEC with briefings held semi-annually.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC's July 13th Meeting. He announced that D. Rhoads will be retiring on October 1st and thanked him for his contributions. A. Bohorfoush, the HUD alternate to the ASC, has been detailed to the ASC staff through mid-November.

On August 25-26, the Appraiser Qualifications Board (AQB) held a Meeting in Washington, DC which he and D. Graves attended. The AQB is preparing the second Exposure Draft of proposed changes to the AQB Criteria. The AQB will continue to propose alternate paths to certification for licensed appraisers who do not possess a four-year college degree. The AQB also held a webinar to present potential changes to the AQB Criteria and answer questions from a live audience. Over 200 persons logged into the presentation with nearly 100 questions asked by participants.

ASC staff is preparing to launch the Unique Identifier Program for appraisers on the Appraiser Registry. A letter will be sent to States within the next couple of weeks notifying them that the conversion program is available for their use or States may authorize the ASC to do the conversion for them. Full adoption by all States could take a year or longer.

The development of the AMC Registry is nearing completion and should be ready for use once the AMC fee rule is finalized. R. Frazier asked if ASC staff knows how many AMCs might register. J. Park responded that ASC staff is unsure of the number at this time.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's July 13th Meeting. Five State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Missouri, North Dakota, Oregon and Washington were awarded a Finding of "Excellent" and all will remain on a two-year Review Cycle. Maryland was awarded a Finding of "Good" and will remain on a two-year Review Cycle. One State Compliance Review was finalized and approved by the Chairman under delegated authority. Massachusetts was awarded a Finding of "Needs Improvement" and will remain on a two-year Review Cycle with off-site monitoring. A Follow-up Review was conducted of the Virginia program and ASC staff will continue to monitor the program's progress. R. Taft asked if Massachusetts submitted an action plan to the ASC. D. Rhoads answered that Massachusetts has submitted a corrective action plan to the ASC staff for review and the State will submit periodic reports to the ASC noting its progress.

- **Financial Manager**

G. Hull reported on Appraisal Foundation grant reimbursement requests which have been processed for payment. The April 2016 request was paid in the amount of \$44,303. This covered expenses for the AQB Meeting in Phoenix, AZ on April 7-8 and for costs related to the State Investigator Training Courses. The May 2016 request was paid in the amount

of \$102,516. This covered expenses for the Level One State Investigator Training Course held in St. Louis, MO on May 23-25. The June 2016 reimbursement request was paid in the amount of \$58,259. This included costs for the Appraisal Standards Board (ASB) Meeting held in Indianapolis, IN on June 16-17 and the AQB Meeting held on June 23-24 in Las Vegas, NV.

ACTION ITEMS

- **July 13, 2016 Open Session Minutes**

M. Marshall made a motion to approve the July 13th open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Appraisal Foundation FY 17 Grant Proposal**

D. Bunton and E. Nkemngu presented the Appraisal Foundation (Foundation) FY17 Grant Proposal in the amount of \$1,074,912. Of this amount, \$309,085 is for State Investigator Training and \$765,827 is for grant-eligible activities of the AQB and ASB. D. Bunton said that the State Investigator Training Courses have been highly successful and the Foundation is considering webinars or online courses for training that is beyond the Level Three course. Funding is requested for three course offerings in FY17. In addition, funds are requested to update the courses as they have not been significantly revised in several

years. The ASB will continue work on the 2018-19 edition of the Uniform Standards of Professional Appraisal Practice (USPAP).

The AQB is considering possible alternatives to the current education and experience requirements for each of the three classifications (Licensed, Certified Residential, Certified General). Alternatives may include:

- Alternative Track for Licensed Residential to Certified Residential addressing the college-level education requirements that were related to this topic.
- Enhanced Practicum Curriculum concerning development of future specific course guidelines for the Practical Applications of Real Estate. The courses would be designed for use by colleges and universities, professional organizations, and proprietary schools.

M. Hatheway asked if the Bachelor's Degree would no longer be required. D. Bunton responded that it would be required for the Certified General Level. R. Witt asked how the ASB would address States' ability to investigate fraud if numerous draft appraisal reports are prepared for a single appraisal assignment. D. Bunton said he would discuss this issue with the ASB. J. Park noted that the ASB's Second Exposure draft on changes to the 2018-19 edition of USPAP states that only the last appraisal report draft would be required to be retained in the appraiser's file. M. Hatheway asked how the Foundation supports projects

when the grant award is lower than the requested amount. D. Bunton responded that the Foundation will develop its budget once the award amount is finalized and they may pay for projects out of their reserves. He added that the Foundation is expecting a surplus this year which will be added to their reserves.

- **ASC FY17 Budget Proposal**

G. Hull and J. Park presented the ASC FY17 Budget Proposal. J. Park said the proposed budget supports the ASC's Strategic Plan. The proposed FY17 Operating Expenses are 10% less than the FY16 budgeted amount but will be 3% higher than the FY16 projected expenses. ASC staff has prepared two options. Option A would produce a deficit of \$605,595 if fully funded. It includes funding of \$100,000 that would assist States with the cost of integrating their computer systems with the National Registry through the Simple Object Access Protocol (SOAP) system. Funding of \$100,000 is also included to reimburse States for staff or board members to complete the 7-hour or 15-hour USPAP Courses. The total for all Foundation and State grants in Option A would be \$859,085. Option B would produce a deficit of \$305,595 if fully funded. Option B includes the same operating budget with \$200,000 deducted from State Grants and \$100,000 deducted from the Foundation grant. The total for all Foundation and State grants in Option B would be \$559,085. Both options allow the ASC to maintain adequate one-year operating reserves. J. Park added that the ASC expects a loss of approximately \$270,000 in FY16. The ASC has had a cumulative loss of \$150,000 over the past five fiscal years.

G. Hull noted that FY17 revenue is projected to decline to \$3.4 million based on a 3% decrease in appraisers on the National Registry. AMC Fees are not expected to be received in FY17. Total operating expenses, not including the grants, are projected to be \$3.2 million. He said that 6.8% of fees will be sequestered in FY16 while 6.9% will be sequestered in FY17. The sequestered funds are recoverable the following year. The Reserve balance for FY17 under Option A will be \$3.8 million and for Option B it would be \$4.1 million.

R. Witt asked when ASC staff will develop a revised policy to administer additional grants to States. J. Park responded that funding to hire a Grants Administrator is included in the FY17 budget and that person would develop a more robust grant program to include policies and procedures. R. Witt asked how the ASC staff would track the use of grant funds. A. Ritter responded that States would be reimbursed once they provide proof of the expenses, similar to the grant reimbursement for the Foundation grant. M. Hatheway asked if the ASC has spending priorities for grant funding and asked other ASC members if they feel that grant funds should be used for these types of items. She felt that until the ASC has a better estimate of AMC Registry Fee revenue, grants should be used for priority projects. M. Marshall commented that some States have expressed concern over receiving grant funding because some State program budgets would be decreased by the amount of the grant. She and R. Witt did feel that funds for SOAP implementation may make Registry

submissions easier for States. M. Hatheway suggested that ASC members have a discussion on what projects are priorities for funding. J. Park said that the ASC Policy Statements require States to be educated about USPAP. He added that Option A was prepared anticipating significant AMC fee revenue in the next two-three years. A. Ritter said that SOAP implementation was one of the recommendations from the ASC Advisory Committee as well. M. Hatheway said she is concerned about spending future revenues if there is no way to quantify the amount that might be received. R. Taft said that the ASC should not be using reserves to fund standard operating grants and that the ASC needs to think about its goals on an annual basis to prepare a budget. M. Hatheway asked what could be done to prevent using reserves. M. Marshall answered that the ASC has had this discussion in the past but there is still uncertainty about AMC Registry fee revenue. She felt that hiring a Grants Administrator to decide on a strategy as well as the grant award procedures is a positive step. M. Hatheway restated her position that the ASC needs to be conservative in its budget and decide on priorities. (A. Lindo joined the Meeting.) M. Marshall asked by what date a vote is needed on the budget. J. Park responded that the ASC's fiscal year begins on October 1st so before that date is optimal. He added that the operating budget could be approved minus the grants. This would allow staff time to compile more information on AMC fee revenue estimates and grant priorities. J. Park said the Foundation would like to know the grant amount before their Board of Trustees Meeting in November so that they can prepare and vote on their budget which is on a calendar year. M. Marshall asked what the amount of \$9,800 for Grant Education Development was for under Travel. J. Park responded that was a carryover from the FY16

budget and it will be deleted. M. Marshall asked what the duties of the Regulatory Affairs Specialist would be. D. Graves responded C. Brooks held that position before she was moved to the Policy Manager position. R. Taft asked if website redesign would be completed in FY17 and J. Park said “yes.”

M. Hatheway offered a motion to continue payment of reoccurring operating expenses such as personnel and rent through November 2016. There was no second on the motion. T. Segerson asked if any projects would be delayed if the FY17 budget was not approved today. J. Park answered “no.”

M. Marshall offered a motion to approve the operating expenses as noted on the FY17 proposed budget and, within the next month, the ASC would vote on grant funding. There was no second on the motion. M. Hatheway stated that she would like the ASC staff to prepare a document that prioritizes the projects in the FY17 proposed budget. M. Marshall noted that the FY17 operating budget is less than the FY16 operating budget. A. Ritter said that the ASC has previously approved an operating budget while grants were approved at a later date. The budget was then amended to include the approved grant amounts and approved by the ASC. T. Segerson agreed with this approach. M. Hatheway stated that she is not comfortable supporting the proposed budget as presented.

M. Marshall offered a motion to approve the operating expense budget and postpone approval of the grants at this time. As a part of her motion, she directed ASC staff to prepare estimates for AMC Registry fee revenue for the next five years. Once the ASC receives and reviews this information, grant funding could be determined and approved. A. Ritter said the ASC could hold a Special Meeting rather than waiting until the ASC Meeting on November 9th. T. Segerson asked when staff could have the information to the ASC. J. Park said it could be completed by the end of September and a Special Meeting could be called depending upon the availability of the ASC members. M. Marshall asked if there was anything specific in the operating budget that the ASC members questioned. R. Witt was concerned about the cost for the website redesign. T. Segerson supported approving the FY17 proposed operating budget minus the grants if there are no objections to any of the items in the operating budget. T. Segerson seconded M. Marshall's motion. M. Hatheway abstained from voting and other members voted to approve. A. Lindo directed staff to prepare the requested estimates for AMC fee income as soon as is practicable, as well as recommended priorities for grant and project priorities. The ASC can then set up a meeting to review and discuss this information in October or November, at which time it will decide upon grant funds and any proposed changes to the operating budget as a result of the grant/project priority work.

The Open Session adjourned at 11:50 a.m. The next ASC Meeting will be November 9, 2016.

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

Revised 11/8/16

TO: Appraisal Subcommittee

FROM: Jim Park, Executive Director

DATE: October 26, 2016

RE: ASC Revenue and Expense History and FY17 Grants Recommendations

During the September 14, 2016 ASC Meeting, the FY17 ASC Operating Budget was approved in the amount of \$3,198,235. The ASC also directed staff to develop a five-year revenue projection including anticipated AMC Registry Fee revenue to assist in determining the appropriate FY17 ASC grant budget. Since that time, staff developed revenue and expense projections as well as a 10-year history of ASC revenue and expenses and met with Board members to discuss historical revenue and expenses and the FY17 grant recommendations. Below is a synopsis of the attached revenue and expense history and projections. Board members expressed various opinions and suggestions which have been incorporated to the degree possible.

10-year Revenue & Expense History

- Since 2006, ASC revenue has increased 34% from \$2,756,270 to \$3,681,789 (projected) in 2016
- Revenue peaked in 2014 at \$3,815,854
- Revenue increased in 2012 as a result of the increase in the annual National Registry fee from \$25 to \$40
- Since 2006, annual operating expenses have increased from \$1,372,761 to \$3,000,195 (119%)
- Increased expenses are largely a result of added authority and responsibility from the 2010 Dodd-Frank Act
- FTEs have increased from 7 in 2006 to 13 (14 as of FY17)

10-year Reserve History

- Reserve balance in FY06 was \$5,254,334
- Reserve balance peaked in FY08 at \$5,966,319 (355% of operating expenses)
- ASC began spending down reserves through grants to the Foundation (which increased almost 50% between FY06 and FY09)
- Prior to 2016 (with a deficit projection of app. -25k), FY12 was the last year the ASC had an actual operating deficit balance (-95,708 ending FY12)

FY17 Projections

- FY17 Operating expenses are projected to be \$3.2 million, however some expenses may not fully materialize – For example:
 - 2 currently vacant FTE's may not be filled until late 2017, possibly resulting in approximately \$100,000 reduction of salaries' expenses
 - IT expenses may not reach the \$349,000 budgeted amount

- USPAP education grant budget is based on the following
 - 50 States participating
 - 10 staff members per States seeking reimbursement
 - \$200 per USPAP class
 - $50 \times 10 \times \$200 = \$100,000$
 - It is quite possible that States will not fully utilize the \$100,000 budget
- Revised total for FY17 grants amount is \$759,000 (\$100,000 less than originally proposed)
- Projected FY17 deficit revised to \$520,000

The following assumptions were used in developing the AMC revenue projections:

- The AMC Registry Fee Rule will be final on or about March 31, 2017
 - If the Rule is not final by March 31 2017, several States may not be able to get their statutes and rules in place to meet the August 10, 2018 restriction deadline
- No significant changes in mortgage lending transaction volume
- August 10, 2018, 50 States will have registered their AMCs and transmitted the Registry fee
- August 10, 2018, 400 AMCs will be registered
 - Industry stakeholders estimate there are roughly 500 operating AMCs at this time
 - Some State registered AMCs will not qualify to be on the AMC Registry due to the size of their panels or other factors
- Panel utilization assumptions are based on industry research but could vary significantly once the AMC Registry is active
- Appraisers credentialed in multiple States working for multiple AMCs will impact AMC Registry fees for those AMCs. For example, an appraiser who performs an appraisal for 10 AMCs in each of three States will be factored into the AMC Registry fees for 30 AMCs

AMC Fee Model

- The model below projects the revenue that will be generated by AMC Registry fees applying the assumptions stated above
- These 10 States are a representative sample of large, medium and small States
- The number of AMCs is the actual number of registered AMCs (based on the States last count) in the sample States
- The number of States that elect to participate could change significantly once the AMC Registry is open
- Average number of appraisers used in a 12-month period is based on industry research
- These projections indicate annual AMC Registry fee revenue of approximately \$4.5 million

	California	Texas	Alabama	Colorado	Oklahoma	Total		
# of AMCs	275	188	129	163	119			
Avg # of appraise	35	25	15	20	15			
Fees Collected \$	\$ 240,625	\$ 117,500	\$ 48,375	\$ 81,500	\$ 44,625	\$ 532,625		
	Arizona	Georgia	Illinois	Nebraska	South Dakota	Total	Average	
# of AMCs	162	178	180	110	142		163	
Avg # of appraise	30	30	30	10	10		22	
Fees Collected \$	\$ 121,500	\$ 133,500	\$ 135,000	\$ 27,500	\$ 35,500	\$ 453,000		
<i>*Avg. # of appraisers is the average number of appraisers used in a 12 month period.</i>						\$ 985,625	\$ 4,928,125	\$ 4,482,500

5-Year National AMC Registry fee revenue projections

- Projections below assume that the number of AMCs will peak when the restriction initially begins (August 10, 2018) and decrease over the next five years due to the increasing costs and administrative burdens of owning/managing an AMC
- With fewer AMCs, appraisers should be on fewer panels thereby generating fewer fees. We project that AMC Registry fees will decrease approximately 5% per year until 2021
- Potential variables that could impact AMC Registry fee revenue include:
 - Increased use of alternative valuation products/evaluations
 - Significant changes in mortgage lending volume
 - State or Federal statutory or regulatory changes

Year	# AMCs	Revenue Projection
2018	400	\$ 4,500,000
2019	300	\$ 4,275,000
2020	275	\$ 4,000,000
2021	250	\$ 3,800,000
2022	250	\$ 3,800,000

Recommendations

Based upon grant priorities, the ASC staff recommends the following amounts for FY17 grants:

- State Grant
 - Investigator Training Program \$309,085 (funds the full request)
 - USPAP Education for State Personnel \$100,000
- Appraisal Foundation
 - \$350,000 (the Foundation requested \$765,827).

Recommended Grant totals \$759,085:

- States - \$409,085
- Appraisal Foundation \$350,000

If grants are approved as recommended, the overall projected loss for FY17 would be approximately \$520,000 and leave approximately \$4,200,000 in reserve. This is approximately \$1,000,000 in excess of the ASC minimum 1-year reserve guideline.

ASC State Grant Policy

[Amended November 9, 2016]

Purpose

This policy was originally adopted by the Appraisal Subcommittee (ASC) on September 11, 2013, to support State appraiser regulatory programs (Programs) by providing grant funding for the development, presentation and hosting of State Investigator Training Courses for State personnel, with the intent to expand the State Grant program as appropriate. While State Investigator Training continues to be a very effective use of State grant funds, the ASC is revising the ASC State Grant Policy to authorize additional grant funding in support of educating State personnel on the *Uniform Standards of Professional Appraisal Practice* (USPAP).

The expansion of the State grant to include this additional funding is consistent with goals and objectives set forth in the ASC's 5-Year Strategic Plan (2014-2018) as well as the ASC's 2016 Operating Plan. *Strategic Goal 4: Implement the remaining additional authority granted by the Dodd-Frank Act*, of the ASC's 5-Year Strategic Plan includes objectives to assess the ASC financial resources to support the State grant program. The 2016 Operating Plan includes the charge for ASC staff to study State education needs and opportunities for the ASC to provide education and make recommendations to the ASC regarding State education and other types of State grants as needed.

In support of funding USPAP education, *Strategic Goal 1: Promote Title XI-compliant State appraiser regulatory programs (State Programs)*, of the ASC's 5-Year Strategic Plan includes objectives to ensure that States understand ASC expectations and compliance requirements of Title XI and the Policy Statements, and more specifically to regularly seek input from State Programs regarding ways to improve the understandability and enforceability of the Policy Statements. Funding USPAP education for State personnel will support States in achieving compliance with the requirement in Policy Statements that persons analyzing work product or complaints for USPAP compliance to be knowledgeable about USPAP. Additionally, some

States have inquired about grant funding from the ASC to support USPAP training for State personnel.

Statutory Authority

Title XI¹ authorizes:

[the ASC to] make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the [ASC], to support the efforts of such agencies to comply with [Title XI], including—

- (A) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and
- (B) the submission of data on State licensed and certified appraisers and appraisal management companies to the National appraisal registry, including information affirming that the appraiser or appraisal management company meets the required qualification criteria and formal and informal disciplinary actions.

This policy implements the ASC's State grant-related authority and responsibilities under Title XI.

Annual State Grant

State Investigator Training Program

In support of State Programs, the ASC will continue to provide grant funding for the development, presentation, and hosting of State Investigator Training Courses. The State Investigator Training Courses are offered at no cost to the State – ASC grant funds pay for attendees' course materials, lodging, meals, and travel expenses. Each State is funded to send at least three State investigators or other appropriate personnel to each course (additional spaces if open). The courses cover topics relating to investigation of alleged violations of USPAP or

¹ Title XI § 1109 (b) (5), 12 U.S.C. 3338.

appraisal independence standards, and proper investigative techniques. The grant funds are approved during the ASC's annual budget process. The funds are earmarked for the State Investigator Training Program and are intended for the sole benefit of the States. The Appraisal Foundation is responsible for administering the program.

Courses Currently Offered:

Level 1 State Investigator Training
Level 2 State Investigator Training
Level 3 State Investigator Training

Eligibility:

All State Programs are eligible to send State personnel to State Investigator Training subject to prerequisite requirements.

Training for State personnel on USPAP

In support of State Programs, the ASC will provide grant funding for State personnel to complete either the *15-Hour National USPAP Course* or its AQB-approved equivalent, or the *7-Hour National USPAP Course* or its AQB-approved equivalent.

Grant funding will be made available under the following conditions:

- At least one of the course instructors must be an AQB Certified USPAP Instructor who is also a certified appraiser in good standing.
- Each State will be eligible to send up to ten State investigators, board members or other appropriate personnel. Alternatively, States may seek reimbursement for holding the course on site.
- Upon completion, States may submit to the ASC proof of course completion to receive reimbursement for attendees' course materials, lodging, meals, and travel expenses, subject to federal travel regulations, as well as the cost of the course. If held onsite, State may submit proof of instructors' expenses for reimbursement. The grant funds are approved during the ASC's annual budget process.

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Appraisal Subcommittee

Federal Financial Institutions Examination Council

TO: **Appraisal Subcommittee**

FROM: **Jim Park**

DATE: **November 9, 2016**

RE: **Revision of Policy Statements**

Requested Action:

ASC approval of draft revised Policy Statements for publication in the *Federal Register*; staff is recommending a public comment period of 60 days.

Background:

The Policy Statements were most recently amended in 2013. Those revisions addressed statutory changes in Title XI arising from the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). Those revisions also addressed the recommendation by the U.S. Government Accountability Office (GAO) in its 2012 Report regarding the ASC operations, including that the ASC clarify the definitions used to categorize a State Program's overall compliance with Title XI.

The publication of the Interagency Rule regarding Appraisal Management Companies (AMCs) has necessitated a revision of the Policy Statements to include guidance to the States regarding how AMC programs will be evaluated during Compliance Reviews. Also included are changes suggested by the Policy Managers to address issues that have come up during Compliance Reviews since the new Policy Statements have been in effect.

Overview of Revised Policy Statements

The revised Policy Statements are specifically intended to provide States with:

1. requirements for maintaining their appraiser regulatory programs (Appraiser Programs) in compliance with Title XI;
2. guidance for developing and maintaining AMC regulatory programs (AMC Programs); and
3. guidance for strengthening Programs in general.

The revised Policy Statements include minor revisions to the seven Policy Statements regarding Appraiser Programs in Part A. ASC staff is proposing expanding the Policy Statements to include Parts B and C. Part B includes three Policy Statements (8, 9 and 10) regarding AMC Programs. Policy Statement 11 is also included in Part B and provides

information regarding the Statutory Implementation Period. Part C includes previously adopted Policy Statement 12 regarding Interim Sanctions.

The following provides a section by section highlight of changes presented in the revised Policy Statements.

Introduction and Purpose

The introduction has been expanded to include the monitoring of States that elect to register and supervise the operations and activities of AMCs. The introduction includes an explanation of the three parts and retains the references to statutory authority.

Part A: Appraiser Program

Policy Statement 1: Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

Policy Statement 1 includes a definition of trainee appraiser to better reflect how changes to Title XI affect Appraiser Programs with trainee requirements.

Policy Statement 2: Temporary Practice

Policy Statement 2 has been modified to clarify requirements for temporary practice and includes requirements to track temporary practice permits and maintain documentation.

Policy Statement 3: National Registry of Appraisers

Policy Statement 3 has been modified to clarify requirements regarding States' submission of registry fees and eligibility of appraisers for the Appraiser Registry.

Policy Statement 4: Application Process

Policy Statement 4 includes additional guidance to States implementing Appraiser Qualifications Board (AQB) *Real Property Appraiser Qualification Criteria* (AQB Criteria) regarding the background of applicants for credentials and requires States to document applicant files with evidence supporting decisions made regarding individual appraisers. Policy Statement 4 also provides additional guidance on requirements for States to validate renewal requirements for appraisers and provides parameters for auditing education-related affidavits. Finally, Policy Statement 4 clarifies the requirement that States engage analysts who are knowledgeable about the *Uniform Standards of Professional Appraisal Practice* (USPAP) and document how the analysts are qualified.

Policy Statement 5: Reciprocity Policy

Policy Statement 5 includes a requirement that States obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity.

Policy Statement 6: Education

Policy Statement 6 clarifies that States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.

Policy Statement 7: Enforcement

Policy Statement 7 clarifies the requirement that States consider USPAP violations when investigating a complaint whether or not USPAP violations were the basis for the complaint.

Part B: AMC Program

Policy Statements 8, 9 & 10 duplicate the provisions of Policy Statements 1, 3 & 7 to every extent possible. The standard language is intentional and will create better understanding of the Policy Statements by the States as they will be able to anticipate how to comply based on their understanding of the Policy Statements they have been following. Differences are discussed below.

Policy Statement 8: Statutes Regulations, Policies and Procedures Governing State AMC Programs

Policy Statement 8 reflects the statutory provision that States are not required to establish an AMC registration and supervision program, but clarifies for those States that establish AMC Programs (participating States) the ASC oversight of those Programs during ASC Compliance Reviews. Policy Statement 8 informs States that while they may have a more expansive definition of an AMC in their State statute, only AMCs that meet the federal definition in Title XI may be included on the AMC Registry. Policy Statement 8 also requires States to enforce Dodd-Frank Act qualifications for AMC ownership.

Policy Statement 9: National Registry of AMCs (AMC Registry)

Policy Statement 9 clarifies requirements for participating States to maintain the AMC Registry in the same way they maintain the Appraiser Registry.

Policy Statement 10: State Agency Enforcement

Policy Statement 10 clarifies requirements for participating States' AMC enforcement program.

Policy Statement 11: Statutory Implementation Period

Policy Statement 11 clarifies the statutory implementation period and any extensions that may be granted.

Part C: Interim Sanctions**Policy Statement 12: Interim Sanctions**

Policy Statement 12 clarifies the previously adopted Policy Statement on interim sanctions which may be imposed on State Programs when those programs fail to be effective. The procedures include due process provisions and rules of evidence and establish timeliness for proceedings.

Recommendation:

Staff recommends publication of the revised Policy Statements in the *Federal Register* for a 60-day comment period, along with a media release and posting notice on the ASC website to notify State appraiser regulatory agencies and other interested parties regarding the comment period. The goal is to have the new Policy Statements issued by the end of April, 2017, with an effective date of June 1, 2017.

Attachments: Clean Version of Revised Policy Statements
Redline Version of Revised Policy Statements

Appraisal Subcommittee
Federal Financial Institutions Examination Council

POLICY
STATEMENTS
(Revised - **date**)



Requirements and Guidance to
State Appraiser Certifying and Licensing Agencies
For Compliance with Title XI

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Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).¹ The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States² for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.³ Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)⁴ 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 companies⁵ (AMCs).⁶

The ASC performs periodic Compliance Reviews⁷ of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC

¹ The ASC board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

² See Appendix B, Glossary of Terms, for the definition of "State."

³ See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

⁴ Pub. L. 111-203, 124 Stat. 1376.

⁵ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

⁶ See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

⁷ See Appendix A, Compliance Review Process.

regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule.⁸

The ASC is issuing these revised Policy Statements⁹ in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

- Part A, *Appraiser Program* – Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the Appraiser Program Compliance Review; and (b) included in the *ASC’s Compliance Review Report of the Appraiser Program*.
- Part B, *AMC Program* – Policy Statements 8 through 11 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the *ASC’s Compliance Review Report of the AMC Program*.
- Part C, *Interim Sanctions* – Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC for non-compliance in either the Appraiser Program or the AMC Program.

⁸ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. Title XI § 1124 (a), 12 U.S.C. 3353(a). The statute also directed those Agencies to issue regulations that require the reporting of information to the ASC for purposes of maintaining the AMC Registry. Those rules were finalized and published on June 9, 2015, at 80 *Federal Register* 32658 with an effective date of August 10, 2015. (12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26)

⁹ These Policy Statements, adopted [date], supersede all previous Policy Statements adopted by the ASC.

PART A: APPRAISER PROGRAM

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

A. State Regulatory Structure

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.¹⁰ The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board¹¹ or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

B. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its Appraiser Program with funding and

¹⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹ See Appendix B, *Glossary of Terms*, for the definition of "State board."

staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an Appraiser Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

C. Minimum Criteria

Title XI requires States to adopt and/or implement all relevant AQB Criteria. Requirements established by a State for certified residential or certified general appraisers, as well as requirements established for licensed appraisers, trainee appraisers and supervisory appraisers must meet or exceed applicable AQB Criteria.

D. Federally Recognized Appraiser Classifications

State Certified Appraisers

"State certified appraisers" means those individuals who have satisfied the requirements for residential or general certification in a State whose criteria for certification meet or exceed the applicable minimum AQB Criteria. Permitted scope of practice and designation for State certified residential or certified general appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

State Licensed Appraisers

"State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. The permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Trainee Appraisers

"Trainee appraisers" means those individuals who have satisfied the requirements for credentialing in a State whose criteria for credentialing meet or

exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” or “supervisory appraiser” must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as “registered appraiser,” “apprentice appraiser,” “provisional appraiser,” or any other similar designation to determine if, in substance, such designation is consistent with a “trainee appraiser” designation and, therefore, administered to comply with Title XI. The permitted scope of practice and designation for trainee appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Any State or Federal agency may impose additional appraiser qualification requirements for trainee, State licensed, certified residential or certified general classifications, if they consider such requirements necessary to carry out their responsibilities under Federal and/or State statutes and regulations, so long as the additional qualification requirements do not preclude compliance with AQB Criteria.

E. Non-federally Recognized Credentials

States using non-federally recognized credentials or designations¹² must ensure that they are easily distinguished from the federally recognized credentials.

F. Appraisal Standards

Title XI and the Federal financial institutions regulatory agencies’ regulations mandate that all appraisals performed in connection with federally related transactions be in written form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with

¹² See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

USPAP.¹³ States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

Any State or Federal agency may impose additional appraisal standards if they consider such standards necessary to carry out their responsibilities, so long as additional appraisal standards do not preclude compliance with USPAP or the Federal financial institutions regulatory agencies' appraisal regulations for work performed for federally related transactions.

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a State certified or licensed appraiser. These regulations define "appraisal" as a "written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s) supported by the presentation and analysis of relevant market information." Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal. Under these same regulations, an appraisal review that does not include the reviewer providing his or her own opinion of value does not constitute an appraisal. Therefore, under the Federal financial institutions regulatory agencies' regulations, only those transactions that involve appraisals for federally related transactions require the services of a State certified or licensed appraiser.

G. Exemptions

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.¹⁴ A State may not exempt any

¹³ See Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

¹⁴ Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

individual or group of individuals from meeting the State’s certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

H. ASC Staff Attendance at State Board Meetings

The efficacy of the ASC’s Compliance Review process rests on the ASC’s ability to obtain reliable information about all areas of a State’s Appraiser Program. ASC staff regularly attends open State board meetings as part of the on-site Compliance Review process. States are expected to make available for review by ASC staff minutes of closed meetings and executive sessions. States are encouraged to allow ASC staff to attend closed and executive sessions of State board meetings where such attendance would not violate State law or regulation or be inconsistent with other legal obligations of the State board. ASC staff is obligated to protect information obtained during the Compliance Review process concerning the privacy of individuals and any confidential matters.

I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.¹⁵
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹⁶
3. States must have policies, practices and procedures consistent with Title XI.¹⁷

¹⁵ Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

¹⁶ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

¹⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

4. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹⁸
5. States must use proper designations and permitted scope of practice for certified residential; certified general; licensed; and trainee classifications.¹⁹
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.²⁰
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.²¹
8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.
9. State agencies must be granted adequate authority by the State to maintain an effective regulatory Appraiser Program in compliance with Title XI.²²

¹⁸ *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

¹⁹ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

²⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

²¹ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

²² Title XI § 1118 (b), 12 U.S.C. § 3347.

POLICY STATEMENT 2

Temporary Practice

A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment²³ for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and does not impose “excessive fees or burdensome requirements,” as determined by the ASC.²⁴ Thus, a credentialed appraiser²⁵ from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry of Appraisers to verify credential status on applicants for temporary practice.

B. Excessive Fees or Burdensome Requirements

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.²⁶ Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

²³ See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

²⁴ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

²⁵ See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

²⁶ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

Host State agencies must:

- a. issue temporary practice permits on an assignment basis;
- b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
- c. issue temporary practice permits designating the permit's effective date;
- d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;
- e. notify the appraiser's home State agency²⁷ in the case of disciplinary action concerning a temporary practitioner;
- f. allow at least one temporary practice permit extension through a streamlined process;
- g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and
- h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

Host State agencies may not:

- a. limit the valid time period of a temporary practice permit to less than 6 months (unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant's credential is no longer in active status during that period of time);
- b. limit an appraiser to one temporary practice permit per calendar year;²⁸

²⁷ See Appendix B, Glossary of Terms, for the definition of "home State agency."

²⁸ State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser's temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

- c. charge a temporary practice permit fee exceeding \$250, including one extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;
- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

Home State agencies may not:

- a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
- b. fail to consider and, if appropriate, take disciplinary action when one of its certified or licensed appraisers is disciplined by another State.

C. Summary of Requirements

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.²⁹
2. State agencies must adhere to mandates and prohibitions as determined by the ASC that deter the imposition of excessive fees or burdensome requirements for temporary practice.³⁰

²⁹ Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

³⁰ Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

POLICY STATEMENT 3

National Registry of Appraisers

A. Requirements for the National Registry of Appraisers

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions (Appraiser Registry).³¹ Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC³² from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

Roster and registry fee requirements apply to all individuals who receive State certifications or licenses, originally or by reciprocity, whether or not the individuals are, in fact, performing or planning to perform appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers, and a registry fee is due from each State in which the appraiser is certified or licensed.

Only AQB-compliant certified and licensed appraisers in active status on the Appraiser Registry are eligible to perform appraisals in connection with federally related transactions. Only those appraisers whose registry fees have been transmitted to the ASC will be eligible to be on the Appraiser Registry for the period subsequent to payment of the fee.

Some States may give State certified or licensed appraisers an option to not pay the registry

³¹ Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

³² Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the Appraiser Program must ensure that any potential user of that appraiser's services is aware that the appraiser is not eligible to perform appraisals for federally related transactions. The Appraiser Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the Appraiser Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the Appraiser Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's Appraiser Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. State agencies must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the Appraiser Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the Appraiser Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the Appraiser Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's registry fee may result in the status of that appraiser being listed as "inactive." States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date). When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the Appraiser Registry, for

whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

C. Access to Appraiser Registry Data

The ASC website provides free access to the public portion of the Appraiser Registry at www.asc.gov. The public portion of the Appraiser Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

D. Information Sharing

Information sharing (routine exchange of certain information among lenders, governmental entities, State agencies and the ASC) is essential for carrying out the purposes of Title XI. Title XI requires the ASC, any other Federal agency or instrumentality, or any federally recognized entity to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser regulation. States are encouraged to develop and maintain procedures for sharing of information among themselves.

The Appraiser Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are necessary to maintain an up-to-date Appraiser Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

States must report all disciplinary action³³ taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁴ States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁵

For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder’s ability to practice), the appraiser’s status must be changed on the Appraiser Registry to “inactive,” thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.³⁶

Title XI also contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date).³⁷
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.³⁸
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁹
4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder’s ability to

³³ See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

³⁴ *Id.*

³⁵ Title XI § 1118 (a), 12 U.S.C. § 3347.

³⁶ *Id.*

³⁷ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

³⁸ *Id.*

³⁹ Title XI § 1118 (a), 12 U.S.C. § 3347.

practice), the appraiser’s status must be changed on the Appraiser Registry to “inactive,” thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.⁴⁰

5. States must designate a senior official, such as an executive director, who will serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.⁴¹
6. States must ensure that the authorization information provided to the ASC is updated and accurate.⁴²
7. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the Appraiser Registry protect the right of access and not share the User Name or Password with anyone.⁴³
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.⁴⁴
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State’s data does not change during the month, the State agency must notify the ASC of that fact in writing.⁴⁵
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser’s services is aware that the appraiser’s certificate or license is limited to performing appraisals only in connection with non-federally related transactions.⁴⁶

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.*

POLICY STATEMENT 4

Application Process

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers (certified, licensed, trainee and supervisory). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.⁴⁷ Effective January 1, 2017, AQB Criteria also requires States to assess whether an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.

A. Processing of Applications

States must process applications in a consistent, equitable and well-documented manner. Applications for credentialing should be timely processed by State agencies (within 90 calendar days after receipt of a completed application). Any delay in the processing of applications must be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade and renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations. Files must include documentation of:

1. Application receipt date;
2. Education;

⁴⁷ Includes applications for credentialing of trainee, licensed, certified residential or certified general classifications.

3. Experience;
4. Examination;
5. Continuing education; and
6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

- (1) the applicant's claimed education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.⁴⁸ States must maintain adequate documentation to support verification of education claimed by applicants.

C. Continuing Education for Reinstatement and Renewal Applications

1. Reinstatement Applications

States must verify that:

- (1) the applicant's claimed continuing education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

⁴⁸ If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials.

States may not accept an affidavit for continuing education claimed from applicants for reinstatement. Applicants for reinstatement must submit documentation to support claimed continuing education and States must maintain adequate documentation to support verification of claimed education.

2. Renewal Applications

States must ensure that continuing education courses for renewal of an appraiser credential are consistent with AQB Criteria and that continuing education hours required for renewal of an appraiser credential were completed consistent with AQB Criteria. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure that adheres to the following objectives and requirements:

a. Validation objectives

The State's validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

b. Minimum Standards

- 1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.

- 2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.
- 3) States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
- 4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
- 5) If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.
- 6) If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action⁴⁹ to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.

⁴⁹ For example:

- (1) a State may conduct an additional audit using a higher percentage of audited appraisers; or
- (2) a State may publicly post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

7) In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).

c. Documentation

States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

d. List of Education Courses

To promote accountability, the ASC encourages States accepting affidavits for continuing education credit claimed for credential renewal to require that the appraiser provide a list of courses to support the affidavit.

D. Experience for Initial or Upgrade Applications

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.⁵⁰

1. Validation Required

States must implement a reliable validation procedure to verify that each applicant's experience meets AQB Criteria, including but not limited to, being USPAP compliant and containing the required number of hours and months.

⁵⁰ See Policy Statement 1D and E for discussion of "federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

2. Validation Procedures, Objectives and Requirements

a. Selection of Work Product

States must determine the hours and time period claimed on the experience log are accurate and analyze a representative sample of the applicant's work product for compliance with USPAP. Appraiser Program staff or State board members must select the work product to be reviewed; applicants may not have any role in selection of work product.

b. USPAP Compliance

For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.

c. Determination of Experience Time Periods

When measuring the experience time period required by AQB Criteria, States must review each appraiser's experience log and note the dates of the first and last acceptable appraisal activity performed by the applicant. At a minimum, the time period spanned between those appraisal activities must comply with the AQB Criteria.

d. Supporting Documentation

States must maintain adequate documentation to support validation methods. The applicant's file, either electronic or paper, must include the information necessary to identify each appraisal assignment selected and analyzed by the State, notes, letters and/or reports prepared by the official(s) evaluating the report for USPAP compliance, and any correspondence exchanged with the applicant regarding the appraisals submitted. This supporting documentation may be discarded upon the completion of the first ASC Compliance Review performed after the credential issuance or denial for that applicant.

E. Examination

States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized appraiser classifications requiring an examination.

F. Summary of Requirements

Processing of Applications

1. States must process applications in a consistent, equitable and well-documented manner.⁵¹
2. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.⁵²
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁵³

Education

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁴
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.⁵⁵
3. States must maintain adequate documentation to support verification.⁵⁶
4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.⁵⁷

⁵¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁵³ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁷ *Id.*

5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.⁵⁸
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.⁵⁹
7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).⁶⁰
8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).⁶¹
9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.⁶²
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.⁶³
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.⁶⁴

⁵⁸ *Id.*

⁵⁹ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁶⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶¹ *Id.*

⁶² *Id.*

⁶³ *Id.*

⁶⁴ *Id.*

Experience

1. States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.⁶⁵
2. States must ensure that appraiser experience logs conform to AQB Criteria.⁶⁶
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.⁶⁷
4. States must select the work product to be analyzed for USPAP compliance on all initial or upgrade applications for appraiser credentialing.⁶⁸
5. States must analyze a representative sample of the applicant's claimed hours and work product on all initial or upgrade applications for appraiser credentialing.⁶⁹
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.⁷⁰
7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁷¹

Examination

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.⁷²

⁶⁵ *Id.*

⁶⁶ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁶⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 5

Reciprocity

A. Reciprocity Policy

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. The ASC monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.⁷³ Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND

(ii) the credentialing requirements of the Home State⁷⁴ meet or exceed those of the reciprocal credentialing State (Reciprocal State).⁷⁵

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy. However, States cannot impose additional impediments to obtaining reciprocal credentials.

For purposes of implementing the reciprocity policy, States with an ASC Finding⁷⁶ of "Poor" do not satisfy the "in compliance" provision for reciprocity. Therefore, States are

⁷³ Title XI § 1122 (b), 12 U.S.C. § 3351.

⁷⁴ As they exist at the time of application for reciprocal credential.

⁷⁵ *Id.*

⁷⁶ See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of “Poor.”

B. Application of Reciprocity Policy

The following examples illustrate application of reciprocity in a manner that complies with Title XI. The examples refer to the reciprocity policy requiring issuance of a reciprocal credential IF:

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND
(ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

Example 1. Additional Requirements Imposed on Applicants

State A requires that prior to issuing a reciprocal credential the applicant must certify that disciplinary proceedings are not pending against that applicant in any jurisdiction. Under b (ii) above, if this requirement is not imposed on all of its own applicants for credentialing, STATE A cannot impose this requirement on applicants for reciprocal credentialing.

Example 2. Credentialing Requirements

An appraiser is seeking a reciprocal credential in STATE A. The appraiser holds a valid credential in STATE Z, even though it was issued in 2007. This satisfies b (i) above. However, in order to satisfy b (ii), STATE A would evaluate STATE Z's credentialing requirements as they currently exist to determine whether they meet or exceed STATE A's current requirements for credentialing.

Example 3. Multiple State Credentials

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained

through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a “letter of good standing” from the State of original credentialing as a condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

C. Appraiser Compliance Requirements

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State’s policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.⁷⁷

D. Well-Documented Application Files

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

E. Summary of Requirements

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State’s appraisers to be eligible to perform appraisals for federally related transactions.⁷⁸
2. States may be more lenient in the issuance of reciprocal credentials by

⁷⁷ A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however, a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

⁷⁸ Title XI § 1122 (b), 12 U.S.C. § 3351.

implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.⁷⁹

3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁸⁰

⁷⁹ *Id.*

⁸⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

POLICY STATEMENT 6

Education

AQB Criteria sets forth minimum requirements for appraiser education courses. This Policy Statement addresses proper administration of education requirements for compliance with AQB Criteria. (For requirements concerning qualifying and continuing education in the application process, see Policy Statement 4, *Application Process*.)

A. Course Approval

States must ensure that approved appraiser education courses are consistent with AQB Criteria and maintain sufficient documentation to support that approved appraiser education courses conform to AQB Criteria.

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery. States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.

States should ensure that educational providers are afforded equal treatment in all respects.⁸¹

States are encouraged to accept courses approved by the AQB's Course Approval Program.

B. Distance Education

States must ensure that distance education courses meet AQB Criteria and that the

⁸¹ For example:

(1) consent agreements requiring additional education should not specify a particular course provider when there are other providers on the State's approved course listing offering the same course; and

(2) courses from professional organizations should not be automatically approved and/or approved in a manner that is less burdensome than the State's normal approval process.

delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.

States may not continue to accept courses after the AQB-approved organization's approval of course design and delivery date has expired.

C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.⁸²
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.⁸³
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.⁸⁴

⁸² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁸³ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁸⁴ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 7

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.⁸⁵

B. Enforcement Process

States must ensure that the system for processing and investigating complaints⁸⁶ and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

1. Timely Enforcement

States must process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure effective supervision of appraisers, and when appropriate, that incompetent or unethical appraisers are not allowed to continue their appraisal practice. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex cases that involve multiple individuals and reports. Such special

⁸⁵ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁸⁶ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate allegations of appraiser misconduct or wrongdoing, and if allegations are proven, take appropriate disciplinary or remedial action. Dismissal of an alleged violation solely due to an “absence of harm to the public” is inconsistent with Title XI. Financial loss or the lack thereof is not an element in determining whether there is a violation. The extent of such loss, however, may be a factor in determining the appropriate level of discipline.

Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP and States must be able to document how such persons are so qualified.

States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.

Closure of a complaint based solely on a State's statute of limitations that results in dismissal of a complaint without the investigation of the merits of the complaint is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.⁸⁷

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

⁸⁷ Title XI § 1117, 12 U.S.C. § 3346.

4. Well-Documented Enforcement

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- demonstrate that appraisal reports are analyzed and any USPAP violations are identified and considered, whether or not they were the subject of the complaint;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings.

The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)
8. Terms of disposition (*e.g.*, probation, fine, education, mentorship)
9. In the case of open complaints, the most recent activity and date thereof (*e.g.* respondent's response to complaint received, contacted AG for a status update, Board voted to offer a consent agreement)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁸⁸
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.⁸⁹

⁸⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁸⁹ *Id.*

3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.⁹⁰
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.⁹¹
5. States must appropriately document enforcement files and include rationale.⁹²
6. States must regulate, supervise and discipline their credentialed appraisers.⁹³
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.⁹⁴

⁹⁰ *Id.*

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.*

PART B: AMC PROGRAM

POLICY STATEMENT 8

Statutes, Regulations, Policies and Procedures Governing State AMC Programs

A. Participating States and ASC Oversight

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.⁹⁵ Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after the following occurs:

1. A State decides to be a participating State pursuant to the AMC Rule;
2. A State establishes an AMC program in accordance with the AMC Rule; and
3. A State begins reporting to the National Registry of AMCs (AMC Registry).

Formal ASC oversight will consist of evaluating AMC Programs in participating States during the Compliance Review process to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. Upon expiration of the statutory implementation period (see Policy Statement 11, *Statutory Implementation Period*), Compliance Reviews will include ASC oversight of AMC Programs for any participating State.

B. Relation to State Law

Participating States may establish requirements in addition to those in the AMC Rule.

⁹⁵ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 C.F.R. 34.210 - 34.216; 12 C.F.R. 225.190 - 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 - 1222.26.

Participating States may also have a more expansive definition of AMCs.⁹⁶ However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

C. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule

1. AMC Registration and Supervision

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC

⁹⁶ Title XI as amended by the Dodd-Frank Act defines "appraisal management company" to mean, in part, an external third party that oversees a network or panel of more than 15 appraisers (State certified or licensed) in a State, or 25 or more appraisers nationally (two or more States) within a given year. (12 U.S.C. 3350(11)). Title XI as amended by the Dodd-Frank Act also allows States to adopt requirements in addition to those in the AMC Rule. (12 U.S.C. 3353(b)). For example, States may decide to supervise entities that provide appraisal management services, but do not meet the size thresholds of the Title XI definition of AMC. If a State has a more expansive regulatory framework that covers entities that provide appraisal management services but do not meet the Title XI definition of AMC, the State should only submit information regarding AMCs meeting the Title XI definition to the AMC Registry.

Rule for compliance requirements⁹⁷ as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

(a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:

(1) Review and approve or deny AMC initial registration applications and/or renewals for registration;

(2) Examine records of AMCs and require AMCs to submit information;

(3) Verify that appraisers on AMCs' panels hold valid State credentials;

(4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;

(5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and

(6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs⁹⁸ to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

⁹⁷ See footnote 90.

⁹⁸ See footnote 95.

(2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

2. Ownership Limitations for State-registered AMCs

A. Appraiser certification or licensing of Owners

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause,⁹⁹ as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or

⁹⁹ An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified. (12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

affidavit, or background screening, or otherwise. States must document to the file the State’s method of review and the result.

B. Good Moral Character of Owners

An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

- (1) Is determined by the State not to have good moral character; or
- (2) Fails to submit to a background investigation carried out by the State.

A State’s process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. The ASC would expect written documentation of the State’s method of review and the result.

3. Requirements for Federally Regulated AMCs

Participating States are not required to identify Federally regulated AMCs¹⁰⁰ operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

A Federally regulated AMC shall not be included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

E. Summary of Requirements

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.¹⁰¹
2. Participating States must impose requirements on AMCs consistent with the

¹⁰⁰ “Federally regulated AMCs,” meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

¹⁰¹ 12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

- AMC Rule.¹⁰²
3. Participating States must enforce and document ownership limitations for State-registered AMCs.¹⁰³
 4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive definition of AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.¹⁰⁴
 5. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹⁰⁵

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

¹⁰⁵ *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

POLICY STATEMENT 9

National Registry of AMCs (AMC Registry)

A. Requirements for the AMC Registry

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.¹⁰⁶ Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC¹⁰⁷ from AMCs that are either registered with a participating State or are Federally regulated AMCs.¹⁰⁸

As with appraiser registry fees, Title XI, § 1109(a)(4)(b) requires the AMC registry fee to be collected by each participating State and transmitted to the ASC. Therefore, as with appraisers, an AMC will pay a registry fee in each participating State in which the AMC operates. As with appraisers, an AMC operating in multiple participating States will pay a registry fee in multiple States in order to be on the AMC Registry for each State.

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State. The ASC extranet application allows States to update their AMC information directly to the AMC Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will

¹⁰⁶ Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

¹⁰⁷ Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

¹⁰⁸ Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.

not be granted. If a State collects multiple-year fees for multiple-years, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

C. Reporting Requirements

State agencies must report all disciplinary action¹⁰⁹ taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC’s policies regarding the determination of the AMC Registry fee.

D. Access to AMC Registry Data

The ASC website provides free access to the public portion of the AMC Registry at www.asc.gov. The public portion of the AMC Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

¹⁰⁹ See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).¹¹⁰
2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.¹¹¹
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.¹¹²
4. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.”¹¹³
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.¹¹⁴
7. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the AMC Registry protect the right of access and not share the User Name or Password with anyone.¹¹⁵
8. States must ensure the accuracy of all data submitted to the AMC Registry.¹¹⁶

¹¹⁰ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

¹¹¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.*

POLICY STATEMENT 10

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.¹¹⁷

B. Enforcement Process

States must ensure that the system for processing and investigating complaints¹¹⁸ and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented¹¹⁹ manner.

1. Timely Enforcement

States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review

¹¹⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹¹⁸ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

¹¹⁹ See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

4. Well-Documented Enforcement

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)
8. Terms of disposition (*e.g.*, probation, fine)
9. In the case of open complaints, the most recent activity and date thereof (*e.g.* respondent's response to complaint received, contacted Attorney General for a status update, Board voted to offer a consent agreement)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.¹²⁰
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.¹²¹
3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.¹²²
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.¹²³
5. States must appropriately document enforcement files and include rationale.¹²⁴

¹²⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²¹ *Id.*

¹²² *Id.*

¹²³ *Id.*

¹²⁴ *Id.*

POLICY STATEMENT 11

Statutory Implementation Period

Title XI and the AMC Rule set forth the statutory implementation period.¹²⁵ In summary, beginning 36 months after the effective date of the AMC Rule (August 9, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. Appraisal management services may still be provided for federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.¹²⁶

¹²⁵ Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

¹²⁶ Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

PART C: INTERIM SANCTIONS

POLICY STATEMENT 12

Interim Sanctions

A. Authority

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.¹²⁷ The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.¹²⁸ In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report¹²⁹ issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

1. written notice of intention to impose an interim sanction; and
2. opportunity to respond or to correct the conditions causing such notice to the State.

Notice and opportunity to respond or correct the conditions shall be in accordance with section C, *Procedures*.

¹²⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²⁸ *Id.*

¹²⁹ See Appendix A – Compliance Review Process.

C. Procedures

This section prescribes the ASC's procedures which will be followed in arriving at a decision by the ASC to impose an interim sanction against a State agency.

1. Notice

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the registration of AMCs, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and AMCs, the investigation of complaints, and enforcement actions against appraisers and AMCs.¹³⁰ The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the *Federal Register*.

2. State Agency Response

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions. Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

3. Briefs, Memoranda and Statements

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State agency may file with the ASC's Executive

¹³⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

Director a written brief, memorandum or other statement providing factual data and policy and legal arguments regarding the matters set out in the Notice and analysis.

4. *Oral Presentations to the ASC*

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting¹³¹ of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

5. *Conduct of Interim Sanction Proceedings*

(a) Written Submissions

All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

(b) Disqualification

An ASC member who deems himself or herself disqualified may at any time withdraw. Upon receipt of a timely and sufficient affidavit of personal bias or disqualification of such member, the ASC will rule on the matter as a part of the record.

¹³¹ The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC – to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

(c) Authority of ASC Chairperson

The Chairperson of the ASC, in consultation with other members of the ASC whenever appropriate, shall have complete charge of the proceeding and shall have the duty to conduct it in a fair and impartial manner and to take all necessary action to avoid delay in the disposition of proceedings.

(d) Rules of Evidence

Except as is otherwise set forth in this section, relevant material and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act (5 U.S.C. §§ 551-559) and other applicable law.

6. *Decision of the ASC and Judicial Review*

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

7. *Computing Time*

Time computation is based on business days. The date of the act, event or default from which the designated period of time begins to run is not included. The last day is included unless it is a Saturday, Sunday, or Federal holiday, in which case the period runs until the end of the next day which is not a Saturday, Sunday or Federal holiday.

8. *Documents and Exhibits*

Unless otherwise provided by statute, all documents, papers and exhibits filed in connection with any proceeding, other than those that may be withheld from

disclosure under applicable law, shall be placed by the ASC's Executive Director in the proceeding's file and will be available for public inspection and copying.

9. *Judicial Review*

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.¹³²

¹³² 5 U.S.C. § 703 - *Form and venue of proceeding.*

APPENDICES

Appendix A – Compliance Review Process

The ASC monitors State Appraiser and AMC Programs for compliance with Title XI. The monitoring of State Programs is largely accomplished through on-site visits known as a Compliance Review (Review). A Review is conducted over a two- to four-day period, and is scheduled to coincide with a meeting of the Program’s decision-making body whenever possible. ASC staff reviews the Appraiser Program and the seven compliance areas addressed in Policy Statements 1 through 7. ASC staff reviews a participating State’s AMC Program and the four compliance areas addressed in Policy Statements 8 through 11. Sufficient documentation demonstrating compliance must be maintained by a State and made available for inspection during the Review. ASC staff reviews a sampling of documentation in each of the compliance areas. The sampling is intended to be representative of a State Program in its entirety.

Based on the Review, ASC staff provides the State with an ASC staff report for the Appraiser Program, and if applicable, an ASC staff report for the AMC Program, detailing preliminary findings. The State is given 60 days to respond to the ASC staff report(s). At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State for the Appraiser Program, and if applicable, a Report is also issued for the AMC Program, with the ASC Finding on each Program’s overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the compliance areas are cited in the Report. “Areas of Concern” which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC’s final disposition is based upon the ASC staff report, the State’s response and staff’s recommendation.

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC Finding	Rating Criteria	Review Cycle* *(Program history or nature of deficiency may warrant a more accelerated Review Cycle.)
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	Two-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	Two-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	Two-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	One-year

<p>Poor¹³³</p>	<ul style="list-style-type: none"> • State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements • Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program • State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies • High risk of Program failure 	<p>Continuous monitoring</p>
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The ASC has two primary Review Cycles: two-year and one-year. Most States are scheduled on a two-year Review Cycle. States may be moved to a one-year Review Cycle if the ASC determines more frequent on-site Reviews are needed to ensure that the State maintains an effective Program. Generally, States are placed on a one-year Review Cycle because of non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Both two-year and one-year Review Cycles include a review of all aspects of the State’s Program.

The ASC may conduct Follow-up Reviews and additional monitoring. A Follow-up Review focuses only on specific areas identified during the previous on-site Review. Follow-up Reviews usually occur within 6-12 months of the previous Review. In addition, as a risk management tool, ASC staff identifies State Programs that may have a significant impact on the nation’s appraiser regulatory system in the event of Title XI compliance issues. For States that represent a significant percentage of the credentials on the Appraiser Registry, ASC staff performs annual on-site Priority Contact visits. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. This is not a complete Review of the Program. The ASC will also schedule a Priority Contact visit for a State when a specific concern is identified that requires special attention. Additional monitoring may be required where a deficiency is identified and reports on required or

¹³³ An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 12, *Interim Sanctions*.

agreed upon corrective actions are required monthly or quarterly. Additional monitoring may include on-site monitoring as well as off-site monitoring.

Appendix B – Glossary of Terms

Appraisal management company (AMC): Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

AQB Criteria: Refers to the *Real Property Appraiser Qualification Criteria* as established by the Appraiser Qualifications Board of the Appraisal Foundation setting forth minimum education, experience and examination requirements for the licensure and certification of real property appraisers, and minimum requirements for “Trainee” and “Supervisory” appraisers.

Assignment: As referenced herein, for purposes of temporary practice, “assignment” means one or more real estate appraisals and written appraisal report(s) covered by a single contractual agreement.

Complaint: As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser or appraiser applicant, for allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

Credentialed appraisers: Refers to State licensed, certified residential or certified general appraiser classifications.

Disciplinary action: As referenced herein, corrective or punitive action taken by or on behalf of a State agency which may be formal or informal, or may be consensual or involuntary, resulting in any of the following:

- a. revocation of credential or registration
- b. suspension of credential or registration

- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender¹³⁴
- g. other acts as defined by State statute or regulation as disciplinary

With the exception of voluntary surrender, suspension or revocation, such action may be exempt from reporting to the National Registry if defined by State statute, regulation or written policy as “non-disciplinary.”

Federally related transaction: Refers to any real estate related financial transaction which:

a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and

b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

Federal financial institutions regulatory agencies: Refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration. (See Title XI § 1121 (6), 12 U.S.C. § 3350.)

Home State agency: As referenced herein, State agency or agencies that grant an appraiser a licensed or certified credential. Residency in the home State is not required. Appraisers may have more than one home State agency.

Non- federally recognized credentials or designations: Refers to any State appraiser credential or designation other than trainee, State licensed, certified residential or certified general classifications as defined in Policy Statement 1, and which is not recognized by Title XI.

Real estate related financial transaction: Any transaction involving:

a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

b) the refinancing of real property or interests in real property; and

c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(See Title XI § 1121 (5), 12 U.S.C. 3350.)

¹³⁴ A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual’s Appraiser Registry record is updated to show the credential is inactive.

State: Any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands. (American Samoa does not have a Program.)

State board: As referenced herein, “State board” means a group of individuals (usually appraisers, AMC representatives, bankers, consumers, and/or real estate professionals) appointed by the Governor or a similarly positioned State official to assist or oversee State Programs. A State agency may be headed by a board, commission or an individual.

Uniform Standards of Professional Appraisal Practice (USPAP): Refers to appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation establishing minimum requirements for development and reporting of appraisals, including real property appraisal. Title XI requires appraisals prepared by State certified and licensed appraisers to be performed in conformance with USPAP.

Well-documented: means that States obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

Appraisal Subcommittee
Federal Financial Institutions Examination Council

**POLICY
STATEMENTS**
(Revised - **date**)



Requirements and Guidance to
State Appraiser Certifying and Licensing Agencies
For Compliance with Title XI



~~{June 1, 2013}~~

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Introduction and Purpose

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (~~FIRREA~~), as amended (Title XI), established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).¹ The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States² for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.³ ~~The ASC performs periodic Compliance Reviews⁴ of each State appraiser regulatory program (Program) to determine compliance, or lack thereof, with Title XI, and to assess the Program's implementation of the AQB Criteria as adopted by the Appraiser Qualifications Board (AQB).~~ Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)⁵ 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 companies⁶ (AMCs).⁷

¹ The ASC board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, [Bureau of Consumer Financial Protection Bureau](#), Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

² See Appendix B, Glossary of Terms, for the definition of "State."

³ See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

⁴ ~~See Appendix A, Compliance Review Process.~~

⁵ Pub. L. 111-203, 124 Stat. 1376.

⁶ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

⁷ See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

~~Pursuant to authority granted to~~ The ASC ~~under performs periodic Compliance Reviews~~⁸ of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule.⁹

The ASC is issuing these ~~revised~~ Policy Statements¹⁰ ~~in three parts~~ to provide States with the necessary information to maintain their ~~Appraiser Programs and AMC Programs~~ in compliance with Title XI-:

- ~~Part A, Appraiser Program~~ – Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the ~~Appraiser Program~~ Compliance Review process; and (b) included in the ~~ASC's Compliance Review Report (of the Appraiser Program)~~.
- ~~Part B, AMC Program~~ – Policy Statements 8 through 11 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the ~~ASC's Compliance Review Report~~. ~~Policy Statement 8 entitled of the AMC Program.~~

~~Part C, Interim Sanctions~~ – Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC.

⁸ See Appendix A, Compliance Review Process.

⁹ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. Title XI § 1124 (a), 12 U.S.C. 3353(a). The statute also directed those Agencies to issue regulations that require the reporting of information to the ASC for purposes of maintaining the AMC Registry. Those rules were finalized and published on June 9, 2015, at 80 *Federal Register* 32658 with an effective date of August 10, 2015. (12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26)

¹⁰ These Policy Statements, adopted April 10, 2013, [date], supersede all previous Policy Statements adopted by the ASC, ~~the most recent version of which was issued in October 2008.~~

~~FINAL DRAFT~~

➤ for non-compliance in either the Appraiser Program or the AMC Program.

PART A: APPRAISER PROGRAM

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

A. State Regulatory Structure

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.¹¹ The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board¹² or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures, and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

B. Funding and Staffing

The Dodd-Frank ~~Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)~~ amended Title XI to require the ASC to determine whether States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires

¹¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹² See Appendix B, *Glossary of Terms*, for the definition of "State board."

that a State must provide its [Appraiser](#) Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of ~~an~~ [Appraiser](#) Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

C. Minimum Criteria

Title XI requires States to adopt and/or implement all relevant AQB Criteria. ~~Historically,~~ Requirements established by a State for certified residential or certified general ~~classifications have been required to meet or exceed AQB Criteria. Effective July 1, 2013,~~ [appraisers, as well as](#) requirements established ~~by a State~~ for licensed appraisers, ~~as well as for~~ trainee [appraisers](#) and supervisory appraisers, must ~~also~~ meet or exceed ~~the applicable~~ AQB Criteria, ~~as required by the Dodd-Frank Act.~~

D. Federally Recognized Appraiser Classifications

State Certified Appraisers

"State certified appraisers" means those individuals who have satisfied the requirements for residential or general certification in a State whose criteria for certification meet or exceed the applicable minimum AQB Criteria. Permitted scope of practice and designation for State certified residential or certified general appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

State Licensed Appraisers

~~As of July 1, 2013,~~ "State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. ~~Effective July 1, 2013,~~ The permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Trainee ~~Appraiser and Supervisory Appraiser~~ Appraisers

~~As of July 1, 2013,~~ “Trainee appraisers” means those individuals who have satisfied the requirements for credentialing in a State whose criteria for credentialing meet or exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” ~~and/or~~ “supervisory appraiser” must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as “registered appraiser,” “apprentice appraiser,” “provisional appraiser,” or any other similar designation to determine if, in substance, such designation is consistent with a “trainee appraiser” designation and, therefore, administered to comply with Title XI. ~~Effective July 1, 2013,~~ The permitted scope of practice and designation for trainee ~~appraisers and supervisory~~ appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Any State or Federal agency may impose additional appraiser qualification requirements for ~~trainee, State licensed, certified residential or certified general classifications or for trainee and supervisor~~ classifications, if they consider such requirements necessary to carry out their responsibilities under Federal and/or State statutes and regulations, so long as the additional qualification requirements do not preclude compliance with AQB Criteria.

E. Non-federally Recognized Credentials

States using non-federally recognized credentials or designations¹³ must ensure that they are easily distinguished from the federally recognized credentials.

F. Appraisal Standards

Title XI and the Federal financial institutions regulatory agencies’ regulations mandate that all appraisals performed in connection with federally related transactions be in written

¹³ See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with

USPAP.¹⁴ States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the ~~latest~~current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

Any State or Federal agency may impose additional appraisal standards if they consider such standards necessary to carry out their responsibilities, so long as additional appraisal standards do not preclude compliance with USPAP or the Federal financial institutions regulatory agencies' appraisal regulations for work performed for federally related transactions.

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a State certified or licensed appraiser. These regulations define "appraisal" as a "written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s) supported by the presentation and analysis of relevant market information." Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal. Under these same regulations, an appraisal review that does not include the reviewer providing his or her own opinion of value does not constitute an appraisal. Therefore, under the Federal financial institutions regulatory agencies' regulations, only those transactions that involve appraisals for federally related transactions require the services of a State certified or licensed appraiser.

¹⁴ See Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

H.G. Exemptions

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of ~~only~~ State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.¹⁵ A State may not exempt any individual or group of individuals from meeting the State's certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

H.H. ASC Staff Attendance at State Board Meetings

The efficacy of the ASC's Compliance Review process rests on the ASC's ability to obtain reliable information about all areas of a State's Appraiser Program. ASC staff regularly attends open State board meetings as part of the on-site Compliance Review process. States are expected to make available for review by ASC staff minutes of closed meetings and executive sessions. ~~The efficacy of the ASC's Compliance Review process rests on the ASC's ability to obtain reliable information about all areas of a State's Program.~~ States are encouraged to allow ASC staff to attend closed and executive sessions of State board meetings where such attendance would not violate State law or regulation or be inconsistent with other legal obligations of the State board. ASC staff is obligated to protect information obtained during the Compliance Review process concerning the privacy of individuals and any confidential matters.

H.I. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest

¹⁵ Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

- version of USPAP.¹⁶
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.¹⁷
 3. States must have policies, practices and procedures consistent with Title XI.¹⁸
 4. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹⁹
 5. States must use proper designations and permitted scope of practice for certified residential ~~or~~ certified general ~~classifications, and as of July 1, 2013, a State must use the proper designations and permitted scope of practice for the~~ licensed ~~classification;~~ and trainee ~~and supervisor~~ classifications.²⁰
 6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.²¹
 7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.²²
 8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.

8.9. State agencies must be granted adequate authority by the State to maintain

¹⁶ Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

¹⁷ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

¹⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹⁹ *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

²⁰ Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

²¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

²² Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

an effective regulatory [Appraiser](#) Program in compliance with Title XI.²³

²³ Title XI § 1118 (b), 12 U.S.C. [§](#) 3347.

POLICY STATEMENT 2

Temporary Practice

A. Requirement for Temporary Practice

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment²⁴ for a federally related transaction. [States are not, however, required to grant temporary practice permits to trainee appraisers.](#) The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and ~~is does not~~ [impose “excessive fees or burdensome” requirements.](#) as determined by the ASC ~~or involve excessive fees.~~²⁵ Thus, a credentialed appraiser²⁶ from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry [of Appraisers](#) to verify credential status on applicants for temporary practice.

B. Excessive Fees or Burdensome Requirements

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.²⁷ Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

²⁴ See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

²⁵ [Title XI § 1122 \(a\) \(2\), 12 U.S.C. § 3351.](#)

²⁶ See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

²⁷ Title XI § 1122 (a) (2), 12 U.S.C. [§ 3351.](#)

Host State agencies must:

- a. issue temporary practice permits on an assignment basis;
- b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
- c. issue temporary practice permits designating the ~~actual~~permit's effective date ~~of issuance~~;
- d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;
- e. notify the appraiser's home State agency²⁸ in the case of disciplinary action concerning a temporary practitioner; ~~and~~
- f. allow at least one temporary practice permit extension through a streamlined process;
- g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and
- f.h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

Host State agencies may not:

- a. limit the valid time period of a temporary practice permit to less than 6 months ; ~~except in the case of an appraiser not holding a credential in active status for at least that period of time;~~
(unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant's credential is no longer in active status during that period of time);

²⁸ See Appendix B, Glossary of Terms, for the definition of "home State agency."

- b. limit an appraiser to one temporary practice permit per calendar year;²⁹
- c. charge a temporary practice permit fee exceeding \$250, including one ~~extension fee;~~
extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners ~~that exceed AQB Criteria for the credential held;~~
- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

Home State agencies may not:

- a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
- b. fail to consider and, if appropriate, take disciplinary action ~~, if appropriate,~~ when one of its certified or licensed appraisers is disciplined by another State agency for unethical, incompetent or fraudulent practices under a temporary practice permit.

C. Summary of Requirements

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related

²⁹ State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser’s temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

transaction.³⁰

2. State agencies must adhere to mandates and prohibitions as determined by the ASC that deter the imposition of excessive fees or burdensome requirements for temporary practice.³¹

³⁰ Title XI § 1122 (a) (1), 12 U.S.C. [§ 3351](#).

³¹ Title XI § 1122 (a) (2), 12 U.S.C. [§ 3351](#).

POLICY STATEMENT 3

National Registry of Appraisers

A. Requirements for the National Registry of Appraisers

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions- [\(Appraiser Registry\)](#).³² Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC³³ from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the [National Appraiser Registry](#) does not qualify for the credential held.

Roster and registry fee requirements apply to all individuals who receive State certifications or licenses, originally or by reciprocity, whether or not the individuals are, in fact, performing or planning to perform appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers, and a registry fee is due from each State in which the appraiser is certified or licensed.

Only AQB-compliant certified and ~~effective July 1, 2013, AQB-compliant~~ licensed appraisers in active status on the [National Appraiser Registry](#) are eligible to perform appraisals in connection with federally related transactions. [Only those appraisers whose registry fees have been transmitted to the ASC will be eligible to be on the Appraiser Registry for the period subsequent to payment of the fee.](#)

³² Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

³³ Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

Some States may give State certified or licensed appraisers an option to not pay the registry fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the [Appraiser](#) Program must ensure that any potential user of that appraiser's services is aware that the ~~appraiser's certificate or license~~ [appraiser](#) is ~~limited~~ [not eligible](#) to ~~performing~~ [perform](#) appraisals ~~in connection with non-~~ [for](#) federally related transactions.³⁴ The [Appraiser](#) Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the [National Appraiser](#) Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the [National Appraiser](#) Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's [National Appraiser](#) Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. State agencies must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the ~~National Registry and reporting procedures to those States not using the ASC extranet application.~~³⁵ ~~The ASC strongly encourages the States to utilize the extranet application as a more secure method of submitting information to the National Registry.~~ [Appraiser Registry.](#)

~~The ASC creates a unique National Registry number for each listed appraiser and protects each appraiser's privacy rights. This unique identifier is available to appropriate State and Federal regulatory agencies to simplify multi-State queries regarding specific appraisers.~~

³⁴ ~~See Appendix B, *Glossary of Terms*, for the definition of "non-federally related transactions."~~

³⁵ ~~See section D, *Information Sharing*, below requiring all States to report disciplinary action via the extranet application by July 1, 2013.~~

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the [NationalAppraiser](#) Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the [NationalAppraiser](#) Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's [National](#) registry fee may result in the status of that appraiser being listed as "inactive." [States must reconcile and pay registry invoices in a timely manner \(45 calendar days after the invoice date\)](#). When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the [NationalAppraiser](#) Registry, for whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

C. Access to [NationalAppraiser](#) Registry Data

The ASC website provides free access to the public portion of the [NationalAppraiser](#) Registry at www.asc.gov. The public portion of the [NationalAppraiser](#) Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States ~~should~~must ensure that the authorization information provided to the ASC is updated and accurate.

D. Information Sharing

Information sharing (routine exchange of certain information among lenders, governmental entities, State agencies and the ASC) is essential for carrying out the

purposes of Title XI. Title XI requires the ASC, any other Federal agency or instrumentality, or any federally recognized entity to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser regulation. States are encouraged to develop and maintain procedures for sharing of information among themselves.

The [National Appraiser](#) Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are necessary to maintain an up-to-date [National Appraiser](#) Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

~~State agencies—~~ [States](#) must report ~~as soon as practicable any~~ disciplinary action³⁶ taken against an appraiser to the ASC. ~~Prior to July 1, 2013, at a minimum, this information must be submitted with the State's monthly, or more frequent, Registry data submission. As of July 1, 2013, all States will be required to report disciplinary action~~ via the extranet application: [within 5 business days after the disciplinary action is final, as determined by State law.](#)³⁷ States not reporting via the extranet application ~~will be required to~~ [must](#) provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.³⁸ [For the most serious disciplinary actions \(i.e., voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice\), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.](#)³⁹

[Title XI also contemplates the reasonably free movement of certified and licensed](#)

³⁶ See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

³⁷ *Id.*

³⁸ [Title XI § 1118 \(a\), 12 U.S.C. § 3347.](#)

³⁹ *Id.*

~~appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.~~

~~E. Summary of Requirements~~

- ~~1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date).⁴⁰~~
- ~~2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.⁴¹~~
- ~~3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.⁴²~~
- ~~4. For the most serious disciplinary actions (i.e., voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the State agency must notify the ASC of such action as soon as practicable, but no later than five (5) business days after the disciplinary action is final, in order for the appraiser's status to must be changed on the National Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.⁴³~~

~~Title XI also contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.~~

⁴⁰ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

⁴¹ *Id.*

⁴² Title XI § 1118 (a), 12 U.S.C. § 3347.

⁴³ *Id.*

E. Summary of Requirements

- ~~2. States must reconcile and pay National Registry invoices in a timely manner.~~⁴⁴
- ~~3. States must submit all disciplinary actions to the ASC for inclusion on the National Registry.~~⁴⁵
- ~~4. As of July 1, 2013, all States will be required to report disciplinary action via the extranet application as soon as practicable.~~⁴⁶
5. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.⁴⁷
6. ~~(States should~~must ensure that the authorization information provided to the ASC is ~~kept current.)~~updated and accurate.⁴⁸
7. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the National Appraiser Registry protect the right of access and not share the User Name or Password with anyone.⁴⁹
8. States must ensure the accuracy of all data submitted to the National Appraiser Registry.⁵⁰
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.⁵¹
- ~~10. States must notify the ASC as soon as practicable of voluntary surrenders, suspensions, revocations, or any other action that interrupts a credential holder's ability to practice.~~⁵²
- ~~11.10.~~ If a State certified or licensed appraiser chooses not to pay the registry fee, the

⁴⁴ ~~Title XI § 1118 (a), 12 U.S.C. 3347; Title XI § 1109 (a), 12 U.S.C. 3338.~~

⁴⁵ ~~Id.~~

⁴⁶ ~~Id.~~

⁴⁷ ~~Title XI § 1118 (a), 12 U.S.C. 3347.~~ Id.

⁴⁸ Id.

⁴⁹ Id.

⁵⁰ Id.

⁵¹ Id.

⁵² ~~Id.~~

State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.⁵³

⁵³ *Id.*

POLICY STATEMENT 4

Application Process

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers- [\(certified, licensed, trainee and supervisory\)](#). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.⁵⁴ [Effective January 1, 2017, AQB Criteria also requires States to assess whether an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.](#)

A. Processing of Applications

States must process applications in a consistent, equitable and well-documented manner. Applications for credentialing should be timely processed by State agencies (within 90 [calendar days](#)) [after receipt of a completed application](#)). Any delay in the processing of applications ~~should~~[must](#) be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain ~~expired~~[invalid](#) examinations as established by AQB Criteria.

[States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade and renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations. Files must include documentation of:](#)

- [1. Application receipt date;](#)
- [2. Education;](#)

⁵⁴ Includes applications for credentialing of [State trainee](#), licensed, certified residential or certified general classifications, ~~and trainee and supervisor classifications.~~

3. Experience;
4. Examination;
5. Continuing education; and
6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

B. Qualifying Education for Initial or Upgrade Applications

States must verify that:

- (1) the applicant's claimed education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

~~Documentation must be provided to support education claimed by applicants for initial credentialing or upgrade. States may not accept an affidavit for education claimed from applicants for certification. Effective July 1, 2013, States may not accept an affidavit for education claimed.~~ States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.⁵⁵ States must maintain adequate documentation to support verification of education claimed by applicants.

C. Continuing Education for Reinstatement and Renewal Applications

1. Reinstatement Applications

States must verify that:

- (1) the applicant's claimed continuing education courses are acceptable under AQB Criteria; and

⁵⁵ If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials ~~effective July 1, 2013.~~

(2) the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

~~Documentation must be provided to support continuing education claimed by applicants for reinstatement.~~ States may not accept an affidavit for continuing education claimed from applicants for reinstatement. Applicants for reinstatement must submit documentation to support claimed continuing education and States must maintain adequate documentation to support verification of claimed education.

2. Renewal Applications

States must ensure that continuing education courses for renewal of an appraiser credential are consistent with AQB Criteria and that continuing education hours required for renewal of an appraiser credential were completed consistent with AQB Criteria. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure that adheres to the following objectives and requirements:

a. Validation objectives

—The State’s validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

b. Minimum Standards—~~The following minimum standards apply to these audits:~~

- 1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 ~~days from the date the renewed credential is issued;~~business

days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.

- 2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure;
- 3) ~~The State~~States must determine that ~~the~~ education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course;
- 4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.

~~The State must notify the ASC as soon as practicable after taking such action in order for the appraiser's record on the National Registry to be updated appropriately; and~~

- 5) If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to

the ASC within five (5) business days.

~~5)6)~~ If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action⁵⁶ to address the apparent weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.

~~7) e-~~ In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).

c. Documentation

—States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

d. ~~d-~~List of Education Courses

—To promote accountability, the ASC encourages States accepting affidavits for continuing education credit claimed for credential renewal to require that the appraiser provide a list of courses to support the affidavit.

D. Experience for Initial or Upgrade Applications

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for ~~certification. Effective July 1, 2013, States may not accept an affidavit for experience credit claimed by applicants for any~~ federally recognized credential.⁵⁷

⁵⁶ For example:

- (1) a State may conduct an additional audit using a higher percentage of audited appraisers; or
- (2) a State may ~~publically~~publicly post action taken to sanction non-compliant appraisers to increase awareness in the appraiser community of the importance of compliance with continuing education requirements.

⁵⁷ See Appendix B, Glossary of Terms, Policy Statement 1D and E for ~~the definition~~discussion of

1. Validation Required

States must implement a reliable validation procedure to verify that each applicant's: experience meets AQB Criteria, including but not limited to, being USPAP compliant and containing the required number of hours and months.

- ~~(1) experience meets AQB Criteria;~~
- ~~(2) experience is USPAP compliant; and~~
- ~~(3) experience hours have been successfully completed consistent with AQB Criteria.~~

2. Validation Procedures, Objectives and Requirements

a. Selection of Work Product

States must determine the hours and time period claimed on the experience log are accurate and analyze a representative sample of the applicant's work product for compliance with USPAP. Appraiser Program staff or State board members must select the work product to be analyzed for USPAP compliance reviewed; applicants may not have any role in selection of work product. ~~States must analyze a representative sample of the applicant's work product.~~

b. USPAP Compliance

For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination. be knowledgeable about

"federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

[appraisal practice and USPAP, and States must be able to document how such persons are so qualified.](#)

c. Determination of Experience Time Periods

When measuring the experience time period required by AQB Criteria, States must review each appraiser's experience log and note the dates of the first and last acceptable appraisal activity performed by the applicant. At a minimum, the time period spanned between those appraisal activities must comply with the AQB Criteria.

d. Supporting Documentation

States must maintain adequate documentation to support validation methods. The applicant's file, either electronic or paper, must include the information necessary to identify each appraisal assignment selected and analyzed by the State, notes, letters and/or reports prepared by the official(s) evaluating the report for USPAP compliance, and any correspondence exchanged with the applicant regarding the appraisals submitted. This supporting documentation may be discarded upon the completion of the first ASC Compliance Review performed after the credential issuance or denial for that applicant.

E. Examination

States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized appraiser classifications requiring an examination.

F. Summary of Requirements

Processing of Applications

1. States must process applications in a consistent, equitable and well-documented

manner.⁵⁸

2. States must ensure appraiser credential applications submitted for processing do not contain expired/invalid examinations as established by AQB Criteria.⁵⁹
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁶⁰

Education

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.⁶¹
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.⁶²
3. States must maintain adequate documentation to support verification.⁶³
4. States may not accept an affidavit for education claimed from applicants for certification. Effective July 1, 2013, States may not accept an affidavit for education claimed from applicants for any federally recognized credential.⁶⁴
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.⁶⁵
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.⁶⁶
7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for

⁵⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁵⁹ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁶⁰ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶¹ *Id.*

⁶² *Id.*

⁶³ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁴ *Id.*

⁶⁵ *Id.*

⁶⁶ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

~~renewal (based on the credential's expiration date).⁶⁷~~

~~sixty days from the date the renewed credential is issued.⁶⁸~~

~~8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).⁶⁹~~

~~8.9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.⁷⁰~~

~~9. States must require the 7 hour National USPAP Update Course for renewals consistent with AQB Criteria.⁷¹~~

~~10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.⁷²~~

~~10.11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend ~~an~~the appraiser's eligibility to perform appraisals in federally related transactions ~~when it determines that the appraiser's continuing education does not meet AQB Criteria~~ until such time that the requisite continuing education has been completed. The State must notify the ASC ~~as soon as practicable~~within five (5) business days after taking such action in order for the appraiser's record on the ~~National~~Appraiser Registry to be updated appropriately.⁷³~~

⁶⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁶⁸ Title XI § 1118 (a), 12 U.S.C. 3347.

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ Title XI § 1118 (a), 12 U.S.C. 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁷² *Id.*

⁷³ Title XI § 1118 (a), 12 U.S.C. 3347; *Id.*

Experience

1. ~~States may not accept an affidavit for experience credit claimed from applicants for certification. Effective July 1, 2013,~~ States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.⁷⁴
2. States must ensure that appraiser experience logs conform to AQB Criteria.⁷⁵
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.⁷⁶
4. States must select the work product to be analyzed for USPAP compliance on all initial or upgrade applications for appraiser credentialing.⁷⁷
5. States must analyze a representative sample of the applicant's [claimed hours and work product](#) on all initial or upgrade applications for appraiser credentialing.⁷⁸
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial [or upgrade](#) applications for appraiser credentialing.⁷⁹
7. Persons analyzing work product for USPAP compliance must ~~have sufficient knowledge to make that determination.~~⁸⁰ [be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.](#)⁸¹

Examination

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.⁸²

⁷⁴ *Id.*

⁷⁵ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁷⁶ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁷⁷ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁷⁸ *Id.*

⁷⁹ *Id.*

⁸⁰ ~~*Id.*~~

⁸¹ *Id.*

⁸² Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 5

Reciprocity

A. Reciprocity Policy

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. ~~Beginning July 1, 2013, The ASC will monitor~~monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.⁸³ Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND
(ii) the credentialing requirements of the Home State ~~(as they exist at the time of application for reciprocal credential)~~⁸⁴ meet or exceed those of the reciprocal credentialing State (Reciprocal State) ~~(as they exist at the time of application for reciprocal credential)~~.⁸⁵

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy.

⁸³ Title XI § 1122 (b), 12 U.S.C. § 3351.

⁸⁴ As they exist at the time of application for reciprocal credential.

⁸⁵ Id.

However, States cannot impose additional impediments to ~~issuance of~~obtaining reciprocal credentials.⁸⁶

For purposes of implementing the reciprocity policy, States with an ASC Finding⁸⁷ of “Poor” do not satisfy the “in compliance” provision for reciprocity. Therefore, States are not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of “Poor.”

B. Application of Reciprocity Policy

The following examples illustrate application of reciprocity in a manner that complies with Title XI. The examples refer to the reciprocity policy requiring issuance of a reciprocal credential IF:

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND
(ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

Example 1. Additional Requirements Imposed on Applicants

State A requires that prior to issuing a reciprocal credential the applicant must certify that disciplinary proceedings are not pending against that applicant in any jurisdiction. Under b (ii) above, if this requirement is not imposed on all of its own applicants for credentialing, STATE A cannot impose this requirement on applicants for reciprocal credentialing.

Example 2. Credentialing Requirements

An appraiser is seeking a reciprocal credential in STATE A. The appraiser holds a valid credential in STATE Z, even though it was issued in 2007. This satisfies b (i) above. However, in order to satisfy b (ii), STATE A would

⁸⁶ ~~Effective July 1, 2013, States will be evaluated for compliance with this Title XI requirement.~~

⁸⁷ See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

evaluate STATE Z's credentialing requirements as they currently exist to determine whether they meet or exceed STATE A's current requirements for credentialing.

Example 3. Multiple State Credentials

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a "letter of good standing" from the State of original credentialing as a condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

C. Appraiser Compliance Requirements

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.⁸⁸

D. Well-Documented Application Files

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

⁸⁸ A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however, a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

E. Summary of Requirements

~~Effective July 1, 2013, in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State _____~~

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State's appraisers to be eligible to perform appraisals for federally related transactions.⁸⁹
2. States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.⁹⁰
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁹¹

⁸⁹ Title XI § 1122 (b), 12 U.S.C. [§ 3351](#).

⁹⁰ *Id.*

⁹¹ [Title XI § 1118 \(a\), 12 U.S.C. § 3347](#).

POLICY STATEMENT 6

Education

AQB Criteria sets forth minimum requirements for appraiser education courses. This Policy Statement addresses proper administration of education requirements for compliance with AQB Criteria. (For requirements concerning qualifying and continuing education in the application process, see Policy Statement 4, *Application Process*.)

A. Course Approval

States must ensure that approved appraiser education courses are consistent with AQB Criteria and maintain sufficient documentation to support that approved appraiser education courses conform to AQB Criteria.

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery. [States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.](#)

States should ensure that educational providers are afforded equal treatment in all respects.⁹²

~~The ASC encourages~~ States [are encouraged](#) to accept courses approved by the AQB's Course Approval Program.

⁹² For example:

(1) consent agreements requiring additional education should not specify a particular course provider when there are other providers on the State's approved course listing offering the same course; and

(2) courses from professional organizations should not be automatically approved and/or approved in a manner that is less burdensome than the State's normal approval process.

B. Distance Education

States must ensure that distance education courses meet AQB Criteria and that the delivery mechanism for distance education courses offered by a non-academic provider, [including secondary providers](#), has been approved by an AQB-approved organization providing approval of course design and delivery.

[States may not continue to accept courses after the AQB-approved organization's approval of course design and delivery date has expired.](#)

C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.⁹³
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.⁹⁴
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, [including secondary providers](#), has been approved by an AQB-approved organization providing approval of course design and delivery.⁹⁵

⁹³ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

⁹⁴ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁹⁵ Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

POLICY STATEMENT 7

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.⁹⁶

B. Enforcement Process

States must ensure that the system for processing and investigating complaints⁹⁷ and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

1. Timely Enforcement

States must process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure effective supervision of appraisers, and when appropriate, that incompetent or unethical appraisers are not allowed to continue their appraisal practice. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex ~~fraud~~ cases that involve multiple individuals and reports. Such special

⁹⁶ Title XI § 1118 (a), 12 U.S.C. § 3347.

⁹⁷ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate allegations of appraiser misconduct or wrongdoing, and if allegations are proven, take appropriate disciplinary or remedial action. Dismissal of an alleged violation solely due to an “absence of harm to the public” is inconsistent with Title XI. Financial loss or the lack thereof is not an element in determining whether there is a violation. The extent of such loss, however, may be a factor in determining the appropriate level of discipline.

Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP and States must [be able to](#) document how such persons are so qualified.

States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.

Closure of a complaint based [solely](#) on a State's statute of limitations [that](#) results in dismissal of a complaint without the investigation of the merits of the complaint, [and](#) is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.⁹⁸

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

⁹⁸ Title XI § 1117, 12 U.S.C. [§](#) 3346.

4. *Well-Documented Enforcement*

~~“Well-documented” means that~~ States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- demonstrate that appraisal reports are analyzed and ~~all~~any USPAP violations are identified and considered, whether or not they were the subject of the complaint;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. ~~The complaint log must include the~~ following

The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, [AMC](#), bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)
8. Terms of disposition (*e.g.*, probation, fine, education, mentorship)
9. In the case of open complaints, the most recent activity and date thereof (*e.g.* respondent's response to complaint received, contacted AG for a status update, Board voted to offer a consent agreement)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.⁹⁹
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented

⁹⁹ Title XI § 1118 (a), 12 U.S.C. [§ 3347](#).

circumstances.¹⁰⁰

3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.¹⁰¹
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.¹⁰²
5. States must appropriately document enforcement files and include rationale.¹⁰³
6. States must regulate, supervise and discipline their credentialed appraisers.¹⁰⁴
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must [be able to](#) document how such persons are so qualified.¹⁰⁵

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

PART B: AMC PROGRAM

POLICY STATEMENT 8

Statutes, Regulations, Policies and Procedures Governing State AMC Programs

A. Participating States and ASC Oversight

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.¹⁰⁶ Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after the following occurs:

1. A State decides to be a participating State pursuant to the AMC Rule;
2. A State establishes an AMC program in accordance with the AMC Rule; and
3. A State begins reporting to the National Registry of AMCs (AMC Registry).

Formal ASC oversight will consist of evaluating AMC Programs in participating States during the Compliance Review process to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. Upon expiration of the statutory implementation period (see Policy Statement 11, *Statutory Implementation Period*), Compliance Reviews will include ASC oversight of AMC Programs for any participating State.

B. Relation to State Law

Participating States may establish requirements in addition to those in the AMC Rule.

¹⁰⁶ Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

Participating States may also have a more expansive definition of AMCs.¹⁰⁷ However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

C. Funding and Staffing

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program’s effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule

1. AMC Registration and Supervision

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC

¹⁰⁷ Title XI as amended by the Dodd-Frank Act defines “appraisal management company” to mean, in part, an external third party that oversees a network or panel of more than 15 appraisers (State certified or licensed) in a State, or 25 or more appraisers nationally (two or more States) within a given year. (12 U.S.C. 3350(11)). Title XI as amended by the Dodd-Frank Act also allows States to adopt requirements in addition to those in the AMC Rule. (12 U.S.C. 3353(b)). For example, States may decide to supervise entities that provide appraisal management services, but do not meet the size thresholds of the Title XI definition of AMC. If a State has a more expansive regulatory framework that covers entities that provide appraisal management services but do not meet the Title XI definition of AMC, the State should only submit information regarding AMCs meeting the Title XI definition to the AMC Registry.

Rule for compliance requirements¹⁰⁸ as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

(a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:

(1) Review and approve or deny AMC initial registration applications and/or renewals for registration;

(2) Examine records of AMCs and require AMCs to submit information;

(3) Verify that appraisers on AMCs' panels hold valid State credentials;

(4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;

(5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and

(6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs¹⁰⁹ to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

¹⁰⁸ See footnote 90.

¹⁰⁹ See footnote 95.

(2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

2. Ownership Limitations for State-registered AMCs

A. Appraiser certification or licensing of Owners

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause,¹¹⁰ as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or

¹¹⁰ An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified. (12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

affidavit, or background screening, or otherwise. States must document to the file the State’s method of review and the result.

B. Good Moral Character of Owners

An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State.

A State’s process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. The ASC would expect written documentation of the State’s method of review and the result.

3. Requirements for Federally Regulated AMCs

Participating States are not required to identify Federally regulated AMCs¹¹¹ operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

A Federally regulated AMC shall not be included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

E. Summary of Requirements

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.¹¹²

¹¹¹ “Federally regulated AMCs,” meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

¹¹² 12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

2. Participating States must impose requirements on AMCs consistent with the AMC Rule.¹¹³
3. Participating States must enforce and document ownership limitations for State-registered AMCs.¹¹⁴
4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive definition of AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.¹¹⁵
5. States must have funding and staffing sufficient to carry out their Title XI-related duties.¹¹⁶

¹¹³ *Id.*

¹¹⁴ *Id.*

¹¹⁵ Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

¹¹⁶ *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

POLICY STATEMENT 9

National Registry of AMCs (AMC Registry)

A. Requirements for the AMC Registry

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.¹¹⁷ Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC¹¹⁸ from AMCs that are either registered with a participating State or are Federally regulated AMCs.¹¹⁹

As with appraiser registry fees, Title XI, § 1109(a)(4)(b) requires the AMC registry fee to be collected by each participating State and transmitted to the ASC. Therefore, as with appraisers, an AMC will pay a registry fee in each participating State in which the AMC operates. As with appraisers, an AMC operating in multiple participating States will pay a registry fee in multiple States in order to be on the AMC Registry for each State.

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State. The ASC extranet application allows States to update their AMC information directly to the AMC Registry.

B. Registry Fee and Invoicing Policies

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will

¹¹⁷ Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

¹¹⁸ Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

¹¹⁹ Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.

not be granted. If a State collects multiple-year fees for multiple-years, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

C. Reporting Requirements

State agencies must report all disciplinary action¹²⁰ taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (e.g., any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC’s policies regarding the determination of the AMC Registry fee.

D. Access to AMC Registry Data

The ASC website provides free access to the public portion of the AMC Registry at www.asc.gov. The public portion of the AMC Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (e.g., certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

¹²⁰ See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

E. Summary of Requirements

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).¹²¹
2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.¹²²
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.¹²³
4. For the most serious disciplinary actions (e.g., any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.”¹²⁴
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.¹²⁵
7. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the AMC Registry protect the right of access and not share the User Name or Password with anyone.¹²⁶
8. States must ensure the accuracy of all data submitted to the AMC Registry.¹²⁷

¹²¹ Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

¹²² Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²³ *Id.*

¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ *Id.*

¹²⁷ *Id.*

POLICY STATEMENT 10

State Agency Enforcement

A. State Agency Regulatory Program

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.¹²⁸

B. Enforcement Process

States must ensure that the system for processing and investigating complaints¹²⁹ and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented¹³⁰ manner.

1. Timely Enforcement

States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review

¹²⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹²⁹ See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

¹³⁰ See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

2. Effective Enforcement

Effective enforcement requires that States investigate complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

3. Consistent and Equitable Enforcement

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

4. Well-Documented Enforcement

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (i.e., dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

b. Complaint Logs

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (e.g., consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (e.g., final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (e.g., dismissal, letter of warning, consent order, final order)
8. Terms of disposition (e.g., probation, fine)
9. In the case of open complaints, the most recent activity and date thereof (e.g., respondent's response to complaint received, contacted Attorney General for a status update, Board voted to offer a consent agreement)

C. Summary of Requirements

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.¹³¹

2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.¹³²

3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.¹³³

4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.¹³⁴

5. States must appropriately document enforcement files and include rationale.¹³⁵

¹³¹ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹³² Id.

¹³³ Id.

¹³⁴ Id.

¹³⁵ Id.

POLICY STATEMENT 11

Statutory Implementation Period

Title XI and the AMC Rule set forth the statutory implementation period.¹³⁶ In summary, beginning 36 months after the effective date of the AMC Rule (August 9, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. Appraisal management services may still be provided for federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.¹³⁷

¹³⁶ Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 C.F.R. 34.210 – 34.216; 12 C.F.R. 225.190 – 225.196; 12 C.F.R. 323.8 -323.14; 12 C.F.R. 1222.20 – 1222.26.

¹³⁷ Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

PART C: INTERIM SANCTIONS

POLICY STATEMENT 12

Interim Sanctions

A. Authority

Title XI grants the ASC authority to impose ~~interim~~ sanctions on ~~individual appraisers pending State agency action and on State agencies a State~~ that ~~fail~~fails to have an effective ~~Appraiser or AMC Program~~.¹³⁸ The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.¹³⁹ In determining whether ~~an Appraiser or AMC~~ Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report¹⁴⁰ issued to a State at the conclusion of an ASC Compliance Review ~~will~~may trigger an analysis by the ASC for potential interim sanction(s).¹⁴¹ The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

B. Opportunity to be Heard or Correct Conditions

The ASC shall provide the State agency with:

1. written notice of intention to impose an interim sanction; and
2. opportunity to respond or to correct the conditions causing such notice to the State.

Notice and opportunity to respond or correct the conditions shall be in accordance with

¹³⁸ Title XI § 1118 (a), 12 U.S.C. § 3347.

¹³⁹ *Id.*

¹⁴⁰ See Appendix A – Compliance Review Process.

¹⁴¹ ~~Imposition of an interim sanction against a State agency may result in appraisers credentialed by that State being removed from the National Registry on an interim basis, not to exceed 90 days, pending State agency action.~~

section C, *Procedures*.

C. Procedures

This section prescribes the ASC's procedures which will be followed in arriving at a decision by the ASC to impose an interim sanction against a State agency.

1. Notice

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the [registration of AMCs](#), the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers [and AMCs](#), the investigation of complaints, and enforcement actions against appraisers [and AMCs](#).¹⁴² The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the *Federal Register*.

2. State Agency Response

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions. Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

3. Briefs, Memoranda and Statements

Within 45 days after the date of receipt by the State agency of the Notice as

¹⁴² ~~Id.~~ [Title XI § 1118 \(a\), 12 U.S.C. § 3347.](#)

published in the *Federal Register*, the State agency may file with the ASC's Executive Director a written brief, memorandum or other statement providing factual data and policy and legal arguments regarding the matters set out in the Notice and analysis.

4. Oral Presentations to the ASC

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting¹⁴³ of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

5. Conduct of Interim Sanction Proceedings

(a) *Written Submissions* ~~All aspects of the proceeding shall be conducted by written~~

All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

(b) *Disqualification* ~~An ASC member who deems himself or herself disqualified~~
An ASC member who deems himself or herself disqualified may at any time withdraw. Upon receipt of a timely and sufficient affidavit of personal bias or

¹⁴³ The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC – to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

disqualification of such member, the ASC will rule on the matter as a part of the record.

(c) *Authority of ASC Chairperson.* ~~The Chairperson of the ASC, in consultation~~
The Chairperson of the ASC, in consultation with other members of the ASC whenever appropriate, shall have complete charge of the proceeding and shall have the duty to conduct it in a fair and impartial manner and to take all necessary action to avoid delay in the disposition of proceedings.

(d) *Rules of Evidence*

Except as is otherwise set forth in this section, relevant material and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act (5 U.S.C. ~~§§ 551, et seq.~~ 559) and other applicable law.

6. *Decision of the ASC and Judicial Review*

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

7. *Computing Time*

Time computation is based on business days. The date of the act, event or default from which the designated period of time begins to run is not included. The last day is included unless it is a Saturday, Sunday, or Federal holiday, in which case the period runs until the end of the next day which is not a Saturday, Sunday or Federal holiday.

8. Documents and Exhibits

Unless otherwise provided by statute, all documents, papers and exhibits filed in connection with any proceeding, other than those that may be withheld from disclosure under applicable law, shall be placed by the ASC's Executive Director in the proceeding's file and will be available for public inspection and copying.

9. Judicial Review

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.¹⁴⁴

¹⁴⁴ 5 U.S.C. § 703 - *Form and venue of proceeding.*

APPENDICES

Appendix A – Compliance Review Process

The ASC monitors State [Appraiser and AMC](#) Programs for compliance with Title XI. The monitoring of a State [Program](#) is largely accomplished through on-site visits known as a Compliance Review (Review). A Review is conducted over a two- to four-day period, and is scheduled to coincide with a meeting of the Program’s decision-making body whenever possible. ASC staff reviews the [Appraiser Program and the](#) seven compliance areas addressed in Policy Statements 1 through 7. [ASC staff reviews a participating State’s AMC Program and the four compliance areas addressed in Policy Statements 8 through 11.](#) Sufficient documentation demonstrating compliance must be maintained by a State and made available for inspection during the Review. ASC staff reviews a sampling of documentation in each of the ~~seven~~ compliance areas. The sampling is intended to be representative of ~~the~~ State Program in its entirety.

Based on the Review, ASC staff provides the State with an ASC staff report [for the Appraiser Program, and if applicable, an ASC staff report for the AMC Program,](#) detailing preliminary findings. The State is given 60 days to respond to the ASC staff report: ~~(s)~~. At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State [for the Appraiser Program, and if applicable, a Report is also issued for the AMC Program,](#) with the ASC Finding on ~~the~~ each Program’s overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the ~~seven~~ compliance areas are cited in the Report. “Areas of Concern”¹⁴⁵ which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC’s final disposition is based upon the ASC staff report, the State’s response and staff’s recommendation.

¹⁴⁵ ~~See Appendix B, Glossary of Terms, for the definition of “Areas of Concern.”~~

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC Finding	Rating Criteria	Review Cycle* *(Program history or nature of deficiency may warrant a more accelerated Review Cycle.)
Excellent	<ul style="list-style-type: none"> • State meets all Title XI mandates and complies with requirements of ASC Policy Statements • State maintains a strong regulatory Program • Very low risk of Program failure 	Two-year
Good	<ul style="list-style-type: none"> • State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements • Deficiencies are minor in nature • State is adequately addressing deficiencies identified and correcting them in the normal course of business • State maintains an effective regulatory Program • Low risk of Program failure 	Two-year
Needs Improvement	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program • State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies • State regulatory Program needs improvement • Moderate risk of Program failure 	Two-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> • State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements • Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program • State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing • State regulatory Program has substantial deficiencies • Substantial risk of Program failure 	One-year

Poor ¹⁴⁶	<ul style="list-style-type: none">• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies• High risk of Program failure	Continuous monitoring
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~~*Program history or nature of deficiency may warrant a more accelerated Review Cycle.~~

¹⁴⁶ An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 12, *Interim Sanctions*.

The ASC has two primary Review Cycles: two-year and one-year. Most States are scheduled on a two-year Review Cycle. States may be moved to a one-year Review Cycle if the ASC determines more frequent on-site Reviews are needed to ensure that the State maintains an effective Program. Generally, States are placed on a one-year Review Cycle because of non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Both two-year and one-year Review Cycles include a review of all aspects of the State's Program.

The ASC may conduct Follow-up Reviews and additional monitoring. A Follow-up Review focuses only on specific areas identified during the previous on-site Review. Follow-up Reviews usually occur within 6-12 months of the previous Review. In addition, as a risk management tool, ASC staff identifies State Programs that may have a significant impact on the nation's appraiser regulatory system in the event of Title XI compliance issues. For States that represent a significant percentage of the credentials on the [National Appraiser Registry](#), ASC staff performs annual on-site Priority Contact visits. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. This is not a complete Review of the Program. The ASC will also schedule a Priority Contact visit for a State when a specific concern is identified that requires special attention. Additional monitoring may be required where a deficiency is identified and reports on required or agreed upon corrective actions are required monthly or quarterly. Additional monitoring may include on-site monitoring as well as off-site monitoring.

Appendix B – Glossary of Terms

Appraisal management company (AMC): Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

AQB Criteria: Refers to the *Real Property Appraiser Qualification Criteria* as established by the Appraiser Qualifications Board of the Appraisal Foundation setting forth minimum education, experience and examination requirements for the licensure and certification of real property appraisers, and minimum requirements for “Trainee” and “Supervisory” appraisers.

Assignment: As referenced herein, for purposes of temporary practice, “assignment” means one or more real estate appraisals and written appraisal report(s) covered by a single contractual agreement.

Complaint: As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser, or appraiser applicant, or for allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging ~~appraiser~~ misconduct or wrongdoing.

Credentialed appraisers: Refers to State licensed, certified residential or certified general appraiser classifications.

Disciplinary action: As referenced herein, corrective or punitive action taken by or on behalf of a State agency which may be formal or informal, or may be consensual or involuntary, resulting in any of the following:

- a. revocation of credential or registration
- b. suspension of credential or registration

- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender ~~in lieu of disciplinary action~~¹⁴⁷
- g. other acts as defined by State statute or regulation as disciplinary

With the exception of voluntary surrender, suspension or revocation, such action may be exempt from reporting to the National Registry if defined by State statute, regulation or written policy as “non-disciplinary.”

Federally related transaction: Refers to any real estate related financial transaction which:

- a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and
- b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

Federal financial institutions regulatory agencies: Refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration. (See Title XI § 1121 (6), 12 U.S.C. § 3350.)

Home State agency: As referenced herein, State agency or agencies that grant an appraiser a licensed or certified credential. Residency in the home State is not required. Appraisers may have more than one home State agency.

Non- federally recognized credentials or designations: Refers to any State appraiser credential or designation other than [trainee](#), State licensed, certified residential or certified general classifications, ~~and trainee and supervisor classifications~~ as defined in Policy Statement 1, and which is not recognized by ~~the federal regulators for purposes of their appraisal regulations~~ [Title XI](#).

Real estate related financial transaction: Any transaction involving:

- a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;
- b) the refinancing of real property or interests in real property; and
- c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

¹⁴⁷ [A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual's Appraiser Registry record is updated to show the credential is inactive.](#)

(See Title XI § 1121 (5), 12 U.S.C. 3350.)

State: Any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands. (American Samoa does not have a Program.)

State board: As referenced herein, “State board” means a group of individuals (usually appraisers, [AMC representatives](#), bankers, consumers, and/or real estate professionals) appointed by the Governor or a similarly positioned State official to assist or oversee State Programs. A State agency may be headed by a board, commission or an individual.

Uniform Standards of Professional Appraisal Practice (USPAP): Refers to appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation establishing minimum requirements for development and reporting of appraisals, including real property appraisal. Title XI requires appraisals prepared by State certified and licensed appraisers to be performed in conformance with USPAP.

Well-documented: means that States obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.