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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** April 27, 2016

**RE:** May 11, 2016 ASC Meeting Package

The enclosed materials are for the May 11<sup>th</sup> ASC Meeting.

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## **OPEN SESSION**

- Agenda for May 11<sup>th</sup> ASC Open Session Meeting
- Reports
  - Chairman Lindo – Chairman’s Report
  - Mr. Park – Executive Director’s Report (report included)
  - Mr. Hull – Financial Report (report included)
  - Mr. Rhoads – Delegated State Compliance Reviews
- March 9<sup>th</sup> ASC Open Session Meeting Minutes

The minutes are available in Word in the Board Member tab for edits to be made by Board members. Please submit edits to Lori Schuster ([Lori@asc.gov](mailto:Lori@asc.gov)) by close of business, May 4<sup>th</sup>. A revised draft incorporating any edits received will be provided for the May 11<sup>th</sup> Meeting.
- The draft 2015 ASC Annual Report for approval. Edits received from the agencies have been incorporated.
- The Notice of Proposed Rulemaking for AMC Fees for approval.

## **GRANT REIMBURSEMENTS**

- October 2015 – January 2016 Appraisal Foundation grant reimbursement requests that have been reviewed by the ASC staff and processed for payment.

**FYI - INFORMATIONAL ITEMS**

- Revised ASC Member List
- Compliance Review Reports for: Alabama, Georgia, Guam, Northern Mariana Islands (CNMI), Texas and Virgin Islands
- State Program Status Report
- Approved November 4<sup>th</sup> ASC Open Meeting Minutes

**BRIEFING ITEMS**

- Agenda for May 11<sup>th</sup> ASC Briefing that will follow the Open Session Meeting
- The current Appraisal Foundation Grant Policy
- The Appraisal Foundation Grant history for 2011-2015
- Appraisal Foundation financial statements summary for 2011-2015
- Memorandum from Vicki Ledbetter-Metcalf to Chairman Lindo on Federally Related Transactions
- Letters from AARO and the Collateral Risk Network regarding the definition of a Federally Related Transaction

# Open Session

# Cover Page



May 11, 2016

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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## Agenda

**Date:**      **May 11, 2016**  
**Time:**      **10:00 am**  
**Location:** **FRB, International Square**  
                  **1850 K Street, NW**  
                  **Washington, DC 20006**  
                  **Metro Stop: Farragut West - 18th Street Exit**

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

- |   |                  |
|---|------------------|
| • <b>Chairman</b>                           | <b>A. Lindo</b>  |
| • <b>Executive Director</b>                 | <b>J. Park</b>   |
| • <b>Delegated State Compliance Reviews</b> | <b>D. Rhoads</b> |
| • <b>Financial Report</b>                   | <b>G. Hull</b>   |

### Action and Discussion Items

- |  |                  |
|--|------------------|
| • <b>March 9, 2016 Open Session Minutes</b>        | <b>A. Lindo</b>  |
| • <b>ASC 2015 Annual Report</b>                    | <b>D. Rhoads</b> |
| • <b>Notice of Proposed Rulemaking on AMC Fees</b> | <b>A. Ritter</b> |

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# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** April 27, 2016

**RE:** Executive Director's Report

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### **Appraisal Subcommittee Meetings and Briefings**

The next ASC Meeting will be held on May 11, 2016, at 10:00 a.m. in the Federal Reserve Board facilities, International Square, 1850 K Street NW, 4th Floor, Washington, DC. There will be an Open and Closed Session. A Briefing is scheduled to follow the Meeting. Meeting materials will be made available approximately two weeks prior to the Meeting. We will alert you to their availability. If anyone experiences any problems accessing the materials, please contact Brian Kelly at [brian@asc.gov](mailto:brian@asc.gov) or (202) 595-7579 for assistance.

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

#### **Appraisal Standards Board**

Denise Graves and I attended the Appraisal Standards Board (ASB) February 18-19 meetings in Tampa, FL. The work sessions and public meeting focused on the January 15, 2016 "Discussion Draft of Potential Areas of Change for the 2018-19 edition of the *Uniform Standards of Professional Appraisal Practice*." The Board listened to comments from interested parties during their public meeting and reviewed the USPAP issues under consideration. The ASB Meeting Summary is attached.

On April 13, the ASB issued its "First Exposure Draft of proposed changes for the 2018-19 edition of the *Uniform Standards of Professional Appraisal Practice*." This Exposure Draft is a follow up to the Discussion Draft issued in January. The ASB is proposing several changes that could have a material impact on real estate related financial transactions. Most notably, the proposed changes to the definition of Report may conflict with several State laws and could lead to an increased use of "draft" appraisal reports in lending transactions. The comment deadline is June 10, 2016. The ASB is also working with the International Valuation Standards Council (IVSC) on a bridge document that will show appraisers how to comply with International

Valuations in addition to USPAP. Publication of the bridge document is anticipated in the near future.

### **Appraiser Qualifications Board**

ASC staff monitored the Appraiser Qualifications Board's (AQB) day-long work session on April 7 and the public AQB Meeting held the morning of April 8. Approximately 200 attended the public meeting representing various stakeholders in the appraisal profession. The meetings focused almost entirely on the AQB's "Discussion Draft-Potential Areas of Change to the *Real Property Qualification Criteria*" issued February 11, 2016. The Discussion Draft seeks input on potential changes to the Criteria in response to concerns raised within the industry regarding current or future shortages of appraisers. Among other things, the AQB is considering; adding an alternative experience track for Licensed Residential appraisers without a college degree seeking to upgrade to Certified Residential. They are also considering removal of the 2015 Criteria requirement that Supervisory Appraisers must have held a certified credential for 3 or more years in good standing in the jurisdiction in which the Trainee appraiser practices. The AQB received over 270 comments on their Discussion Draft which is the most ever received by the Foundation on one request for input. A first exposure draft of proposed Criteria changes will likely be issued in the near future.

Over the next several months, the AQB is planning to conduct an appraiser demographics study and survey to better understand the supply and demand of appraisers (on the National Registry) available for real estate related financial transactions that require an appraisal.

Staff also monitored conference calls held by the ASB, AQB and APB.

### **AARO Conference**

Several members of the ASC staff attended the AARO conference in Phoenix, AZ which began immediately following the conclusion of the AQB public meeting. The AARO Conference was attended by approximately 175 State regulators, AMC and appraiser representatives. I gave an update on recent ASC activities and ASC staff participated in various presentations and breakout sessions throughout the 2.5 days of meetings. Suzy Gardner, FDIC, opened the conference with a presentation on Evaluations vs. Appraisals. Throughout the conference, there were several questions asked regarding Federal AMC regulation including the AMC National Registry fee.

### **25 Year Anniversary of the Appraisal Regulatory System**

ASC staff has agreed to work with the Foundation and AARO on a publication documenting the 25 year history of Title XI which became effective in 1991. The goal of this project is to put together a concise and engaging publication geared for policy makers (State and Federal). The information will be fact-based and emphasize the accomplishments of our unique partnership.

### **Legislative Update**

The Appraisal Institute (AI) continues its efforts to introduce standards into the States for non-federally related transactions. The AI has been working to introduce legislation in California, Florida, Tennessee, Kentucky and Montana. To date, no State has adopted alternate or additional appraisal standards. AI is also attempting to work with members of Congress to introduce legislation to “modernize” Federal and State appraisal regulation (see attached AI memoranda). I am not aware of any current significant interest in Congress on this issue.

### **Unique Identification Number (UID)**

We are now in the final stages of determining if all States will be able to access the social security numbers of their appraisers to create the UID. Once we have confirmation of 100% compliance we will provide the ASC with a detailed draft timeline and implementation plan to execute creation of the UID by the States.

### **Other Meetings and Speaking Engagements**

On April 4, I moderated a panel discussion on the convergence of international valuation standards at the Royal Institute of Chartered Surveyors (RICS) Summit of the Americas Conference held at the Ronald Reagan Building in Washington, DC.

As a follow up to our September 17, 2015 meeting, on March 8, ASC and Foundation staff met with representatives from the American Banker’s (ABA) and American Society of Farm Managers and Rural Appraisers to discuss ABA member concerns over a potential shortage or appraisers in rural markets. All parties found it productive and we agreed to a follow-up meeting on May 17. It is apparent that many misconceptions exist regarding the use of Trainee and Licensed appraisers. We are hoping to educate the ABA and their membership on these issues as well as other appraisal regulatory topics. The Foundation also may be able to leverage ABA assets in studying lender/appraiser/appraisal demographics.

### **Staffing Update**

Administrative Assistant Maria Cahn resigned her position, effective March 30, 2016. Staff has been able to effectively absorb her duties to this point. We plan to hire a replacement for the position once we have reconsidered its responsibilities.

Ada Bohorfoush, ASC Alternate HUD member, has agreed to join the ASC on a detail to assist with the various legal and other responsibilities of the agency. Ada’s knowledge and experience

will be a tremendous asset to the staff. HUD has indicated they will appoint another member to the ASC in the interim.

**Upcoming Meetings/Events**

Vicki Metcalf and I will be attending the Foundation Board of Trustees Spring Meeting in Naples, FL, May 12-14.

Attachments

February 19, 2016 ASB Meeting Summary  
Modernization of Appraisal Regulation Memoranda (Appraisal Institute)





**Meeting Summary  
February 19, 2016  
Tampa, FL**

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On February 19, 2016, the Appraisal Standards Board (ASB) held its first public meeting of the year. The Board discussed the Discussion Draft – Potential Areas of Change for the 2018-19 edition of the *Uniform Standards of Professional Appraisal Practice*, which includes potential revisions, as needed, in the following areas of USPAP:

- Communication of Assignment Results
- STANDARD 6, *Mass Appraisal, Development and Reporting*
- Definition of *assignment*
- Review of the terms *assumption* and *extraordinary assumption*
- STANDARD 3, *Appraisal Review, Development and Reporting*
- Review of Standards Rules 7-2(c), SR 7-5, and 8-2(v)
- Review of Standards Rule 8-3
- Review of Advisory Opinions 1, 18, 21 and 31
- Other edits to improve clarity and enforceability of USPAP

The Board is also reviewing the overall presentation of USPAP, considering its future format and design. The Board believes it is fulfilling its work plan and addressing the needs of appraisers and users of appraisal services by considering any potential revisions to USPAP.

The Board also accepted oral comments from meeting attendees. The Board encouraged the public to send any suggested USPAP revisions to [ASBComments@appraisalfoundation.org](mailto:ASBComments@appraisalfoundation.org).

The ASB anticipates that it will be publishing a First Exposure Draft of proposed changes for the 2018-19 edition of USPAP at the beginning of April 2016. The Board will be accepting written comments through June, as well as oral comments at its next public meeting on June 17 in Indianapolis, IN.

## Appraisal Regulatory Modernization

### Background

The Federal regulatory structure for real estate appraisal essentially has been untouched since the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”). In the intervening years, the marketplace inevitably has changed and such change has become more and more rapid in the last few years. The Appraisal Institute believes that it is appropriate and timely for Congress to review how well the current relationship of Federal versus State responsibilities is serving appraisers, consumers and other market participants. The recent [decline](#) in the number of appraisers and stagnant interest in entry to the profession beg for action to improve the appraisal business and regulatory environment.

Since the beginning of the 114<sup>th</sup> Congress, multiple hearings have been held related to “regulatory burdens” on lenders, especially community banks and other industries. That being the case, it is our view that valuation and, specifically, appraisers need to be included in that review. Appraisal remains one of the most highly regulated professions in the United States, impacting real property appraisers who perform non-mortgage work such as development consulting, litigation support, feasibility and market analysis studies, tax and financial reporting services, as well as those performing mortgage appraisals. As an aside, the House Financial Services Committee’s oversight plan for the current Congress does include appraisal regulation.

Issues of primary concern to appraisers include the following:

- **Federal Regulation.** Appraisers are regulated by the States, but also are faced with heavy Federal oversight and constantly-evolving standards and qualifications. State appraiser regulatory agencies have been operational for many years to the point where continued federal involvement no longer may be necessary.
- **State-by-state Portability.** Appraisers often work in many states and are faced with regulatory obligations, including state-by-state background checks for renewals, reciprocity licenses and temporary practice permits in many situations.
- **Un-level Playing Field.** Rigid appraisal standards do not provide needed flexibility to enable appraisers to effectively compete and deliver a full range of valuation services. Feasibility studies and other similar consulting services, for which appraisers are highly qualified to perform, often are provided by accountants, brokers, architects, engineers and others, who are not subject to State licensing laws or uniform standards.
- **“Recipe” Approach to Appraisal.** Attempts are being made to turn appraisal “methods & techniques” into a set of homogenous rules that would treat all markets, urban and rural, as well as all types of valuation services, the same. Methods and techniques that work in a homogenous neighborhood in Washington, DC, may not work in the rural upper Midwest, and methods that work for mortgage-lending may not work for Eminent Domain, which illustrates the importance of an appraiser’s professional judgment.
- **Federal Agency “Rules.”** A bevy of rules affecting appraisers have been issued by federal agencies since the passage of the Dodd-Frank Act. Such rules merit Congressional oversight.

Currently, **no** legislation has been introduced in either the U.S. House of Representatives or the U.S. Senate that addresses the regulatory burdens appraisers face, or the archaic and outdated regulatory structure of the appraisal profession. However, various Congressional staff have written **draft** legislation and shared it with many different industry groups for their input. Specifically, the Appraisal Institute was asked for input on a draft, and it reflects many of the Appraisal Institute’s concerns regarding the

appraisal regulatory structure that we shared with the House Financial Services Committee during testimony in a 2012 hearing. But it is our understanding that multiple versions of a draft are circulating, and the Appraisal Institute does not agree with everything that has been included in some of these drafts.

With that in mind, below are the key principles the Appraisal Institute has shared, and will continue to share, with Members of Congress, many of which are addressed within the draft legislation.

### **Modernize Appraisal Oversight**

- Align appraisal regulation with regulatory structures recently enacted by Congress (mirroring regulatory arrangements enacted by Congress for mortgage originators and insurance practitioners in recent years).
- Explore a nationwide platform, or portal, for appraisal practitioners, users of appraisal services, and state regulators to use to process license applications and renewals, thus, eliminating redundancies and “red tape.”

### **Improve Enforcement**

- Provide clear audit processes for states’ appraiser regulatory agencies, allowing state regulators to focus on licensing administration and enforcement.
- Improve information-sharing among state regulatory agencies through a common platform.

### **Improve Appraisal Quality**

- Improve appraisal quality by encouraging the engagement of highly-qualified real estate appraisers.
- Authorize financial institutions to exercise greater flexibility to “raise the bar” when hiring real estate appraisers by supporting professional appraisal designations that exceed minimum licensing requirements when procuring appraisal services.

### **Appraisal Standards**

- Require that a free electronic version of the Uniform Standards of Professional Appraisal Practice (“USPAP”) be available to the public and appraisers to complete education and qualification criteria requirements.
- Establish independent appraisal standards development that is free of conflicts of interest.
- Establish appropriate and reasonable limitations and oversight mechanisms around Congressionally-authorized bodies, consistent with previous Congressional action.

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**GOVERNMENT RELATIONS COMMITTEE**

**JUSTIN D. SLACK, MAI, SRA, AI-GRS, AI-RRS**

*Chair*

**MEMORANDUM**

**TO: Appraisal Institute Chapter Leaders**

**FROM: Justin D. Slack, MAI, SRA, AI-GRS, AI-RRS**

**DATE: March 2, 2016**

**SUBJECT: Appraisal Regulatory Structure Modernization**

Appraisal Institute professionals face numerous challenges in today's market, including many that originated with the appraisal regulatory structure created nearly 30 years ago. Over time, burdensome rules and regulations have been imposed on appraisers that impact all areas of real estate valuation, including inconsistent background check requirements, codified appraisal methodology and many, many more.

In recent years, AI professionals increasingly have voiced serious concerns about regulatory and rules-based burdens that adversely affect their practice. Repeatedly, they have asked national leaders for relief and our leadership has heard these voices loud and clear. Therefore, the moment has arrived to try to improve the business and regulatory environment for appraisers.

The Appraisal Institute believes that it is appropriate and timely for the United States Congress to review how well the current Federal and State regulatory structure and responsibilities are serving appraisers, consumers and other market participants. The recent [decline](#) in the number of appraisers, along with stagnant interest in entry to the profession, beg for review and discussion that lead to meaningful change.

As early as 2012, when then-President Sara Stephens, MAI, SRA, testified before the House Committee on Financial Services, the AI publicly laid out its core principles for modernizing the appraisal regulatory structure. Since that time, the regulatory and rules environment for AI professionals has worsened and the Congress has taken notice.

Last year, several proposed legislation drafts were developed by Congressional staff. The AI, as well as other organizations, was asked for input on these discussion drafts. Many of our core principles (for modernizing the appraisal regulatory structure) were incorporated.

**Appraisal Institute Chapter Leaders**

**March 2, 2016**

**Page 2**

Today we would like to share with you several documents for your review and information to keep you current with our efforts. Please find attached a background document outlining the Appraisal Institute's principles for modernizing the appraisal regulatory structure. I encourage you to read the document and to share it with other AI professionals.

In addition, we also are providing you with a memorandum and reference documents distributed to various audiences by The Appraisal Foundation earlier this week. The reference documents include one of the proposed legislation drafts from Congressional staff.

While we think it is important for you to read this information carefully, please know that we disagree with many of the statements and assertions made in the TAF memo, as well as the document addressing the AI's Standards of Valuation Practice. Because of this, our national leadership has reached out to TAF to meet with our Executive Committee on this subject. The purpose of the proposed meeting is to continue a dialogue with TAF and to try to find common ground on effecting meaningful appraisal regulatory structure modernization. AI President Scott Robinson will keep you informed on this front.

Thank you for your attention to this matter. As previously noted, I encourage you to read the attached documents and to share them with other AI professionals. Please do not hesitate to contact me or the AI Washington office staff if you have any questions.

Thank you for your service to the AI.

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Attachments

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## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Girard Hull, Financial Manager

**DATE:** May 11, 2016

**RE:** FY16 Mid-Year Status of ASC Revenue & Expenses

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The following information is a FY16 mid-year financial status update for the period ending March 31, 2016.

### **ASC Revenues**

As of March 31, 2016, the ASC has recognized revenue amounting to \$1,615,878. The budgeted revenue for the period ending March 31, 2016, was \$1,794,375. The variance in year-to-date revenue is -\$178,497. ASC revenue recognized to date represents 90% of budgeted revenue for the period ending March 31, 2016, and 45% of the total budgeted annual revenue of \$3,588,750.

Based on comparisons of March 2015 revenue along with our forecasted decline of registry credentials, we continue to estimate total FY16 revenue at approximately \$3.5 million.

In FY15, \$1,410,752 was deposited into the unavailable ASC restricted funds account. In April of 2016, 75% of this amount, or \$1,058,064, was transferred back into the ASC operating account as available funds. This leaves \$352,688, representing 25% of the total FY15 restricted funds deposited to remain as restricted PAYGO funds.

ASC Reserves for the period ending March 31, 2016 amounted to \$4,480,721.

### **ASC Expenditures**

Expenditures through March 31, 2016, totaled \$1,818,848. The budgeted expenditure total for the period ending March 31, 2016, was \$2,114,757. Therefore the ASC expenditures incurred through March 31, 2016, equaled 86% of the budgeted expenditure amount for the same period and 43% of the total annual budgeted expenditures of \$4,229,513. For the period ending March 31, 2016, expenditures exceeded revenue by \$202,970.

The attached Statement of Profit and Loss (Budget vs. Actual) for the period ending March 31, 2016, show non-personnel expenditures for hardware, legal research services, office supplies, performance awards, GSA Services, postage and Hotline that are significantly higher than the budgeted amounts for this period. This is based on the fact that most of these expenditures represent total costs for FY16 whereas the budget comparisons are only through March 31, 2016. In subsequent periods, these variances will level off as expenditures remain relatively constant

and budgeted amounts increase by period(s). Although we do not project overspending for FY16 travel, ASC travel costs are projected to increase significantly from April thru September due to scheduled Compliance Reviews.

The ASC continues to operate under a 6.8% sequestration of available cash receipts as per the mandate of the Office of Management and Budget.

### **Financial Operations**

To date, the ASC has not encountered any unforeseen or unusual expenditures and our fiscal operations remain stable.

Enclosures:

ASC Profit & Loss (Budget vs. Actual) October 2015 – March 2016

ASC Balance Sheet (As of March 31, 2016)

The Appraisal Subcommittee  
**Profit & Loss Budget vs. Actual**  
 October 2015 through March 2016

	<u>Oct '15 - Mar 16</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
40000 · Appraiser Fees (Sales Income)	1,615,877.48	1,794,375.00	-178,497.52	90.05%
<b>Total Income</b>	<u>1,615,877.48</u>	<u>1,794,375.00</u>	<u>-178,497.52</u>	<u>90.05%</u>
<b>Gross Profit</b>	1,615,877.48	1,794,375.00	-178,497.52	90.05%
Expense				
61700 · Computer and Internet Expenses				
61710 · Maint. of Web site & Regis.	20,809.46	30,000.00	-9,190.54	69.37%
61715 · Hosting Web site	3,316.60			
61720 · Servers & Software	0.00	7,500.00	-7,500.00	0.0%
61725 · Hardware	25,246.69	12,499.98	12,746.71	201.97%
61730 · Internet Service Provider	6,820.00			
61735 · License & SSL Renewals	1,964.88	3,067.02	-1,102.14	64.07%
61740 · Help Desk Services	28,420.05	24,375.00	4,045.05	116.6%
61745 · IT Contracted Svcs	15,776.02	85,699.98	-69,923.96	18.41%
<b>Total 61700 · Computer and Internet Expenses</b>	<u>102,353.70</u>	<u>163,141.98</u>	<u>-60,788.28</u>	<u>62.74%</u>
62000 · Continuing Education	715.00			
62400 · Depreciation Expense				
62405 · Depr-Existing furn & phones	1,590.00			
62415 · Depr-Internet Web Site	0.00	0.00	0.00	0.0%
62420 · Depr-Server	3,402.00			
<b>Total 62400 · Depreciation Expense</b>	<u>4,992.00</u>	<u>0.00</u>	<u>4,992.00</u>	<u>100.0%</u>
62500 · Dues and Subscriptions				
62501 · Legal Research Service	10,288.32	5,149.98	5,138.34	199.77%
<b>Total 62500 · Dues and Subscriptions</b>	<u>10,288.32</u>	<u>5,149.98</u>	<u>5,138.34</u>	<u>199.77%</u>
64700 · Miscellaneous Expense	1,103.40	10,624.98	-9,521.58	10.39%
64900 · Office Supplies	13,978.73	9,499.98	4,478.75	147.15%
66000 · Payroll Expenses				
66001 · Salaries	835,880.96	833,785.02	2,095.94	100.25%
66002 · Personnel Benefits	204,592.32	211,102.02	-6,509.70	96.92%
66003 · Transportation Subsidy	3,587.10	6,210.00	-2,622.90	57.76%
66004 · Cash Awards	20,438.00	10,624.02	9,813.98	192.38%
66000 · Payroll Expenses - Other	1,153.60			
<b>Total 66000 · Payroll Expenses</b>	<u>1,065,651.98</u>	<u>1,061,721.06</u>	<u>3,930.92</u>	<u>100.37%</u>
66100 · Training	2,005.56	3,499.98	-1,494.42	57.3%
66200 · Parking	1,703.58	1,710.00	-6.42	99.63%
66300 · Consulting Services				
66310 · CLI - Education Development	0.00	37,500.00	-37,500.00	0.0%
66315 · Contracted Legal Svcs	0.00	40,000.02	-40,000.02	0.0%
66300 · Consulting Services - Other	0.00	0.00	0.00	0.0%
<b>Total 66300 · Consulting Services</b>	<u>0.00</u>	<u>77,500.02</u>	<u>-77,500.02</u>	<u>0.0%</u>
66350 · Annual Audit of ASC	0.00	9,499.98	-9,499.98	0.0%
66355 · Review of AF Grant	0.00	3,315.00	-3,315.00	0.0%
66360 · Accounting services	19,500.00			
66400 · GSA Services	36,805.25	23,320.02	13,485.23	157.83%
66500 · Postage and Delivery	434.02	240.00	194.02	180.84%
66501 · Transportation of Things	800.65	576.00	224.65	139.0%
66600 · Printing and Reproduction				
66601 · Printing & Repro - Fed Registry	0.00	8,500.02	-8,500.02	0.0%
66602 · Printing & Repro - Other	2,152.09	2,400.00	-247.91	89.67%
66603 · Printing & Repro - Publications	0.00	7,804.98	-7,804.98	0.0%
66600 · Printing and Reproduction - Other	0.00	0.00	0.00	0.0%
<b>Total 66600 · Printing and Reproduction</b>	<u>2,152.09</u>	<u>18,705.00</u>	<u>-16,552.91</u>	<u>11.51%</u>
66700 · Professional Fees	430.00	0.00	430.00	100.0%
66800 · FDMS	0.00	4,999.98	-4,999.98	0.0%
67100 · Rent Expense	116,071.32	122,678.52	-6,607.20	94.61%
68100 · Telephone Expense	20,719.81	25,098.00	-4,378.19	82.56%
68400 · Travel Expense	71,698.06	122,070.00	-50,371.94	58.74%
68450 · State Reg. conference	3,675.00			
68500 · Hotline	3,040.66	1,590.00	1,450.66	191.24%
68540 · AMC Registry	0.00	37,500.00	-37,500.00	0.0%
68550 · Unique Identifier Project	0.00	7,500.00	-7,500.00	0.0%
68560 · Rulemaking - (Advisory Council)	0.00	12,499.98	-12,499.98	0.0%
68570 · State Grant Policies & Procedur	0.00	10,000.02	-10,000.02	0.0%
68580 · Appraiser Nat'l Reg. Rebuild	3,930.00	37,500.00	-33,570.00	10.48%
68590 · SOAP Consultation Services	3,026.31	15,000.00	-11,973.69	20.18%
68595 · Project Services - MSO 365	3,956.40			
68700 · Grant - Expense				
68705 · Appraisal Foundation Grant	175,000.02	175,000.02	0.00	100.0%
68710 · State Grant - Investigator Trng	154,816.02	154,816.02	0.00	100.0%
<b>Total 68700 · Grant - Expense</b>	<u>329,816.04</u>	<u>329,816.04</u>	<u>0.00</u>	<u>100.0%</u>
<b>Total Expense</b>	<u>1,818,847.88</u>	<u>2,114,756.52</u>	<u>-295,908.64</u>	<u>86.01%</u>
<b>Net Ordinary Income</b>	<u>-202,970.40</u>	<u>-320,381.52</u>	<u>117,411.12</u>	<u>63.35%</u>
<b>Net Income</b>	<u>-202,970.40</u>	<u>-320,381.52</u>	<u>117,411.12</u>	<u>63.35%</u>



The Appraisal Subcommittee  
**Balance Sheet**  
As of March 31, 2016

	<u>Mar 31, 16</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
821 · AS Registry Fee Account	
821G · Registry Fees- Unrestricted Acc	4,642,019.65
821T · Incremental Fee - Restricted	<u>3,147,483.47</u>
Total 821 · AS Registry Fee Account	<u>7,789,503.12</u>
Total Checking/Savings	7,789,503.12
Accounts Receivable	
11000 · Accounts Receivable	<u>228,025.00</u>
Total Accounts Receivable	<u>228,025.00</u>
Total Current Assets	8,017,528.12
Fixed Assets	
15000 · Furniture and Equipment	
15100 · Furniture	31,803.14
15200 · Software and Equipment	355,316.64
15300 · Server Hardware and Equipment	<u>71,106.21</u>
Total 15000 · Furniture and Equipment	<u>458,225.99</u>
17000 · Accumulated Depreciation	
17100 · Furniture - Accum Depr.	-23,303.00
17200 · Accum Depr. - Software & Equip.	-355,317.00
17300 · Accum Depr. - Server	-67,874.16
17000 · Accumulated Depreciation - Other	<u>-409.00</u>
Total 17000 · Accumulated Depreciation	<u>-446,903.16</u>
Total Fixed Assets	<u>11,322.83</u>
<b>TOTAL ASSETS</b>	<b><u>8,028,850.95</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
20001 · *Accounts Payable	
20002 · Travel Payable	1,606.73
20003 · Grants Payable	322,733.99
20001 · *Accounts Payable - Other	<u>-25,136.24</u>
Total 20001 · *Accounts Payable	<u>299,204.48</u>
Total Accounts Payable	299,204.48
Other Current Liabilities	
21016 · Deferred Revenue 2016	692,211.52
24000 · Payroll Liabilities	
24100 · Accrued Payroll & Benefits	97,198.40
24200 · Accrued Annual Leave	<u>203,133.12</u>
Total 24000 · Payroll Liabilities	<u>300,331.52</u>
Total Other Current Liabilities	<u>992,543.04</u>
Total Current Liabilities	1,291,747.52
Long Term Liabilities	
25000 · Restricted Incremental Fees	
25012 · Restricted Incremental Fees 12	149,131.00
25013 · Restricted Incremental Fees 13	313,906.00
25014 · Restricted Incremental Fees 14	379,993.00
25015 · Restricted Incremental Fees 15	376,869.00
25016 · Restricted Incremental Fees 16	224,531.00
25017 · Restricted Incremental Fees 17	68,554.00
25018 · Restricted Incremental Fees 18	3,698.00
25019 · Restricted Incremental Fees 19	551.00
25020 · Restricted Incremental Fees 20	<u>34.00</u>
Total 25000 · Restricted Incremental Fees	<u>1,517,267.00</u>
26000 · Deferred Revenue	
26017 · Deferred Revenue - 2017	664,861.00
26018 · Deferred Revenue - 2018	35,768.00
26019 · Deferred Revenue - 2019	3,675.00
26020 · Deferred Revenue - 2020	<u>225.00</u>
Total 26000 · Deferred Revenue	<u>704,529.00</u>
27000 · Deferred Rent	34,586.15
Total Long Term Liabilities	<u>2,256,382.15</u>
Total Liabilities	3,548,129.67
Equity	
30000 · Net Assets	3,188,195.28
32000 · Unrestricted Net Assets	1,495,496.40
Net Income	<u>-202,970.40</u>
Total Equity	<u>4,480,721.28</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>8,028,850.95</u></b>

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
MARCH 9, 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 – Rae-Ann Miller  
FHFA – Robert Witt  
HUD – Ada Bohorfoush  
NCUA – Tim Segerson  
OCC – Richard Taft

**ASC STAFF:** Executive Director – Jim Park  
General Counsel – Alice Ritter  
Financial Manager – Girard Hull  
Attorney-Advisor – Dan Rhoads  
Policy Manager – Claire Brooks  
Policy Manager – Neal Fenochietti  
Policy Manager – Kristi Klamet  
Policy Manager – Vicki Metcalf  
Policy Manager – Jenny Tidwell  
Management & Program Analyst – Lori Schuster  
Administrative Officer – Brian Kelly  
Administrative Assistant – Maria Cahn

**OBSERVERS:** AARO – Larry Disney  
Appraisal Foundation – Dave Bunton  
Appraisal Foundation – Cathy Johnson  
Appraisal Institute – Brian Rodgers  
FDIC – Richard Foley  
FDIC – Suzy Gardner  
FDIC – Marianne Hatheway  
FDIC – Kim Stock  
Forsythe Appraisals - Alan Hummel  
FRB – Carmen Holly  
FRB - Matt Suntag  
HUD – Robert Frazier  
Kelly Group – Don Kelly  
NAR – Sehar Siddiqi

OCC – Chris Manthey  
OCC- Kevin Lawton  
OCC – Joanne Williams  
Pro Teck Valuation Services – Jeff Dickstein  
Stewart Valuation Services – Frank O’Neill

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

## **REPORTS**

- **Chairman**

A. Lindo welcomed observers to the Meeting. He noted that the ASC is on track to meet its goals as stated in the FY16 Operating Plan.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC’s November 4<sup>th</sup> Meeting. He and D. Graves attended the Appraisal Standards Board (ASB) Meeting on November 19-20 in Cincinnati, OH and the Appraisal Foundation Board of Trustees Meeting in Tampa, FL on January 9<sup>th</sup>. J. Park also attended the Appraisal Practices Board Meeting in Las Vegas, NV on January 29<sup>th</sup> and the ASB Meeting in Tampa, FL on February 18-19<sup>th</sup>.

ASC staff met with representatives from the American Bankers Association, the American Society of Farm Managers and Rural Appraisers, and the Appraisal Foundation to discuss

the potential shortage of appraisers. Future meetings will be held to review appraiser demographics. The Appraiser Qualifications Board (AQB) will prepare a study on appraiser demographics with assistance from ASC staff. M. Marshall commented that if Home Mortgage Disclosure Act (HMDA) data is being reviewed to determine demographics, there may be incomplete data due to exemptions in reporting. J. Park acknowledged that HMDA data is being considered for the study.

The Unique Identifier program is being tested by several States and appears to be working well. Development of the appraisal management company (AMC) National Registry also continues and may be operational by early 2017, but this will depend in part on the final rulemaking for the AMC Registry fees.

- **Financial Manager**

G. Hull reported that the ASC's FY15 audit has been completed. The ASC received a clean opinion with no findings, weaknesses (material or immaterial), compliance issues or internal control deficiencies. He noted that in FY15, 88.3% of the operating budget was expended. Actual revenue for FY15 was less than one percent under the estimated revenue. FY15 net reserves did decline from FY14 levels which is due to a decline in the total credentials on the National Registry. The cumulative net reserve balance at the end of FY15 was approximately \$4.7 million. He also said that the amount of funds sequestered

in FY15 was \$256,712 which was 7.3% of available cash receipts. For FY16, the sequestration percentage is 6.8% of available cash receipts.

Regarding the Appraisal Foundation FY16 grant which was \$350,000 for grant-eligible activities, the Foundation has submitted a request to reallocate certain AQB travel expenses associated with the *National Uniform Licensing and Certification Exam*. Originally three meetings had been included, but the consultant indicated that one meeting could be conducted via webinar. Therefore, the Foundation is proposing two meetings instead of three. ASC staff determined that the expense items associated with this request are grant eligible and additional funding is not required. ASC staff intends to approve this request with no action required by the ASC Board.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's November 4<sup>th</sup> Meeting. Six State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Kansas was awarded a Finding of "Excellent" and will remain on a two-year Review Cycle. Hawaii, Montana, Oklahoma, Puerto Rico and Wyoming were awarded a finding of "Good" and each State will remain on a two-year Review Cycle.

Four State Compliance Reviews were finalized and approved by the Chairman under delegated authority. Illinois, New York, Rhode Island and Virginia were awarded a Finding of “Needs Improvement.” Illinois, New York and Rhode Island will remain on a two-year Review Cycle. Virginia will remain on a two-year Review Cycle with a Follow-up Review.

## **ACTION ITEMS**

- **November 4, 2015 Open Session Minutes**

A. Bohorfoush made a motion to approve the November 4<sup>th</sup> open session meeting minutes as presented. R. Witt seconded and all members present voted to approve.

- **Appraisal Foundation Grant**

G. Hull reported that the Appraisal Foundation submitted a reimbursement request in the amount of \$21,734 to reprogram funds to other 2015 grant-eligible AQB expenses. The AQB and ASB had \$11,576 and \$10,158 in unused FY15 grant funds, respectively. These funds would be used to cover AQB psychometric consultant costs for the *National Uniform Licensing and Certification Exams*. ASC staff has reviewed the request and recommends approval in the amount requested. R. Taft moved to approve the reprogramming request in

the amount of \$21,734. A. Bohorfoush seconded and all members present voted to approve.

- **Notice of Proposed Rulemaking (NPRM) on AMC Registry Fees**

A. Ritter reported that legal staff from the ASC member agencies reviewed the draft NPRM and provided comments. The NPRM proposes that States that elect to register and supervise AMCs would be required to collect and transmit annual AMC registry fees to the ASC. The rule would establish the annual AMC registry fee for States that elect to register and supervise AMCs as follows: (1) in the case of an AMC that has been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State during the previous year; and (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal assignment for the AMC on a covered transaction in such State since the AMC commenced doing business. The rule would require AMC registry fees to be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs. Only those AMCs whose registry fees have been transmitted to the ASC would be eligible to be on the AMC Registry for the 12-month period following the payment of the fee. A. Ritter added that ASC staff would like to publish the NPRM in the *Federal Register* in early April. R. Witt asked if “completed assignment” will be defined; A. Lindo suggested including it as a definition and to also request input from commenters. R. Taft asked if

Federally-regulated AMCs in non-participating States would be included on the AMC Registry. A. Ritter responded that a proposed footnote would be an invitation for those AMCs to report directly to the ASC in that limited circumstance. R. Taft suggested to either keep the footnote or pose it as a question in the NPRM. A. Lindo said the ASC could ask the question in the NPRM but should also include a suggestion as to how the fee would be collected. A. Ritter agreed that the ASC does not have the authority to make this part of the rulemaking, but suggested it be addressed in the preamble as an option. A. Lindo noted that ASC members agree on the core elements of the NPRM but that some member agencies are still reviewing it. He said that the preamble text needs to be revised based on today's discussion and would like a timeline for the NPRM approval in order to get it published in the *Federal Register*. He would like this completed before the ASC's May 11<sup>th</sup> Meeting and suggested a notation vote be considered. A. Ritter said she would make the revisions as discussed at today's Meeting and would send it to the ASC members and their legal staff for comment by March 11<sup>th</sup>. A. Lindo suggested two weeks for review with a notation vote by early April. A. Bohorfoush asked if it was acceptable to handle this by notation vote. A. Ritter responded that she is comfortable with a notation vote. She added that if substantive changes are made to the NPRM, a vote in an Open Meeting may be necessary. A. Lindo offered observers a chance to ask questions regarding the NPRM. D. Kelly asked if "covered transaction" would be defined in the NPRM. A. Ritter responded that this would be consistent with the definition in the agencies' AMC Final Rule. J. Dickstein asked if the 12-month period would be outlined in the NPRM or will it be left to the States to define. A. Ritter said the States would have the flexibility to align a



one-year period with any 12-month period, which may or may not be based on the calendar year.

The Open Session adjourned at 11:15 a.m. The next ASC Meeting will be May 11, 2016.

DRAFT

**APPRAISAL SUBCOMMITTEE**  
*Federal Financial Institutions Examination Council*

DRAFT

**ANNUAL  
REPORT  
2015**

1401 H Street NW • Suite 760 • Washington, DC 20005 • (202) 289-2735 • Fax (202) 289-4101

DRAFT

# Letter of Transmittal

June 14, 2016

The President of the Senate  
The Speaker of the House of Representatives

Pursuant to Section 1103 of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (12 U.S.C. § 3332), I am pleased to submit the 2015 Annual Report of the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

Sincerely,

Arthur Lindo  
Chairman

DRAFT

# Table of Contents

TABLE OF CONTENTS WILL BE ADJUSTED DURING LAYOUT  
AND PROOFING

Introduction .....	7
Message from the Chairman.....	9
ASC Member Representatives.....	11
Administration of the Appraisal Subcommittee.....	13
ASC Meeting Procedures.....	13
State Appraiser Regulatory Program Oversight.....	15
Advisory Committee .....	17
Appraisal Foundation Monitoring and Oversight .....	19
ASC Grants.....	21
Appraiser Registry.....	23
Appraisal Complaint National Hotline .....	25
Activities of the ASC Member Agencies .....	27
Interagency Activity .....	29
Member Agency Activity .....	31
Activities of the Appraisal Foundation .....	33
Financial Status of the ASC.....	35
<i>Appendix A—Financial Statements.....</i>	<i>39</i>
<i>Appendix B—2015 Compliance Review Findings .....</i>	<i>55</i>
<i>Appendix C—National Appraiser Credential Statistics.....</i>	<i>59</i>
<i>Appendix D—Tools for Monitoring State Compliance with Title XI .....</i>	<i>61</i>
<i>Appendix E—Appraiser Disciplinary Actions Reported by States .....</i>	<i>63</i>
<i>Appendix F—Appraisal Complaint National Hotline .....</i>	<i>65</i>
<i>Appendix G—Agency Complaint Data .....</i>	<i>67</i>
Reference Materials .....	R1

## *Introduction*

# The Appraisal Subcommittee

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC)<sup>1</sup> was created on August 9, 1989, pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI of FIRREA or Title XI). Title XI's purpose is to "provide that Federal financial and public policy interests in real estate transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, and by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision."<sup>2</sup> In general, the ASC oversees the real estate appraisal regulatory framework as it relates to federally related transactions as defined in Title XI.<sup>3</sup>

The 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) included amendments to Title XI. As amended, Title XI requires the ASC to:

- monitor the requirements established by States—
  - (A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and
  - (B) for the registration and supervision of the operations and activities of appraisal management companies (AMCs)
- monitor the requirements established by the Federal financial institutions regulatory agencies with respect to—
  - (A) appraisal standards for federally related transactions under their jurisdiction; and
  - (B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser
- maintain a National Registry of State certified and licensed appraisers (Appraiser Registry) who are eligible to perform appraisals in federally related transactions
- establish and operate an appraisal complaint national hotline, including a toll-free telephone number and email address, for the referral of complaints concerning alleged violations of appraisal independence standards and/or Uniform Standards of Professional Appraisal Practice (USPAP)
- maintain a National Registry of AMCs (AMC Registry) that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution<sup>4</sup>
- monitor and review the practices, procedures, activities and organizational structure of the Appraisal Foundation (Foundation)
- transmit an annual report to Congress not later than June 15 of each year that describes the manner in which each function assigned to the ASC has been carried out during the preceding year

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<sup>1</sup> The FFIEC was established pursuant to Title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. It is an interagency body empowered to set uniform principles for the examination of federally regulated financial institutions.

<sup>2</sup> Title XI § 1101, 12 U.S.C. § 3331.

<sup>3</sup> A federally related transaction includes 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. (Title XI § 1121 (4), 12 U.S.C. § 3350).

<sup>4</sup> The AMC Registry and annual AMC registry fees will be implemented along with the State's establishment of AMC registration in accordance with the Dodd-Frank Act.

Title XI also requires the ASC to:

- make grants in such amounts as it deems appropriate to the Foundation to help defray costs relating to the activities of the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB)
- make grants to State appraiser certifying and licensing agencies in accordance with policies developed by the ASC to support the efforts of such agencies to comply with Title XI, including—
  - the complaint process, complaint investigations, and appraiser enforcement activities of such agencies
  - the submission of data on State licensed and certified appraisers and AMCs to the Appraiser Registry and the AMC Registry, including information affirming that appraisers or AMCs meet required qualification criteria, and information on formal and informal disciplinary actions
  - reporting to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked or suspended

An unofficial ASC staff version of Title XI as amended by the Dodd-Frank Act is in the “Reference Materials” section which follows this Annual Report.

The ASC has seven members, each designated respectively by the head of their agency, including the Board of Governors of the Federal Reserve System (Federal Reserve), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Federal Housing Finance Agency (FHFA), and U.S. Department of Housing and Urban Development (HUD).

# Message from the Chairman

2015 presented unique challenges and successes for the ASC. In addition to continuing its support of the appraisal regulatory framework governing federally related transactions, the ASC made significant progress in implementing Dodd-Frank Act revisions to Title XI.

The ASC has developed and started testing a unique identifier program (UID) which will permit recovery of nationwide credential information for an appraiser regardless of which State licensing/certification number is entered. The UID has three main objectives:

- eliminate the transmission of personally identifiable information;
- promote consistent appraiser information on the National Registry; and
- improve the information sharing between all users of the National Registry.

If all States participate voluntarily, the ASC anticipates that the UID program will be fully operational by the end of the third quarter, 2016.

The ASC also began development of the National Registry of Appraisal Management Companies (AMC Registry) following adoption of the final rule on Minimum Requirements for Appraisal Management Companies.<sup>5</sup> In 2015, the ASC began drafting a Notice of Proposed Rulemaking in regard to its statutory requirement to establish the fee structure for the AMC Registry.

One of the ASC's core functions under Title XI is to monitor the requirements established by the States<sup>6</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions. The ASC continued to implement enhancements to its review process of State appraiser regulatory programs (State Programs). The ASC performs periodic Compliance Reviews of each State to determine the extent of compliance with Title XI and implementation of the AQB Criteria. In 2015, the ASC reviewed 30 State Programs. While the ASC continued to find State Programs are, for the most part, successful in carrying out the Title XI mandates, problem areas were identified. Problems ranged from outdated regulations, policies and procedures to inadequate processing of appraiser applications. The ASC continues to address these problem areas with the States and to require a State to institute corrective actions in its Program. The ASC also completed two Follow-up Reviews to assess progress made by States in addressing identified deficiencies, as well as having other periodic contacts with State Programs to enhance compliance. Appendix B, 2015 Compliance Review Findings, provides information on ASC Findings for the 2015 Compliance Reviews.

The first complete cycle of Compliance Reviews under the revised Policy Statements and rating system ended in 2015.<sup>7</sup> As part of the revised Policy Statements, the ASC refined the Compliance Review rating system to better reflect a State Program's compliance with Title XI. Based on the 2015 results, the revised system appears to be performing as intended. The revised Policy Statements are set forth in the "Reference Materials" section at the end of this Annual Report.

The ASC continued to implement enhancements to its practices for monitoring and reviewing the activities of the Appraisal Foundation (Foundation). In carrying out its monitoring duties, ASC staff regularly attends the meetings of the AQB, ASB, Appraisal Practices Board (APB), and the Board of Trustees (BOT). From time to time, ASC staff and/or the ASC may comment publicly on Foundation activities as they relate to the use of grant funds or actions that impact federally related

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<sup>5</sup> The Dodd-Frank Act added section 1124 to Title XI, *Appraisal Management Company Minimum Requirements*, which 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 for State registration and supervision of AMCs. The Agencies issued a final rule 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 (2015).

<sup>6</sup> "State" refers to the 50 States, the District of Columbia, and four territories (Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Guam, and United States Virgin Islands).

<sup>7</sup> See 78 *Federal Register* 31924 (May 28, 2013).



transactions. The ASC continued to provide grant funds to the Foundation to help defray costs for grant-eligible activities of the AQB and ASB. For fiscal year 2015, the ASC awarded the Foundation \$250,000.

The ASC also funded State grants, administered by the Foundation, in the amount of \$238,117, for the development and support of investigator training courses for State Program personnel. The ASC utilizes the Foundation and its resources in developing and presenting these courses as a means to provide educational materials and resources to States in support of their investigative processing of complaints against appraisers. In 2015, 129 State regulators attended the training, with 381 State attending the courses over the past four years. This training was developed jointly by the Foundation and the Association of Appraiser Regulatory Officials (AARO), with the support of the ASC, to provide State Programs with specialized training that may not be available otherwise. The courses promote best practices in complaint investigation and resolution, and cover topics such as USPAP and proper investigative techniques. The ASC is also exploring other beneficial educational opportunities for the States.

Additional 2015 ASC actions included holding the final meeting of the ASC Advisory Committee. The role of the Advisory Committee was to provide independent advice and recommendations to the ASC regarding the development of regulations concerning: (1) temporary practice; (2) national registries; (3) information sharing; and (4) enforcement. The Advisory Committee's Charter, Amended Balanced Membership Plan, and meeting minutes can be found on the ASC's website ([www.asc.gov](http://www.asc.gov)). The Advisory Committee completed its work and presented a number of recommendations to the ASC. ASC staff began developing an implementation timeline for those recommendations. This process will continue over the next few years.

The ASC continued to operate its Appraisal Complaint National Hotline (Hotline). The Hotline incorporates a toll-free telephone number, e-mail address, and website for referring complainants to the appropriate State and/or Federal agency for complaints of alleged violations of USPAP and/or non-compliance with appraisal independence standards. The Hotline statistics for 2015 are in Appendix F.

The ASC will continue to fulfill its responsibilities under Title XI as amended by the Dodd-Frank Act. The ASC member agencies are committed to supporting the mission of the ASC and provide the ASC with the necessary resources to fulfill its statutory mandates in a transparent and efficient manner.

# Appraisal Subcommittee

## *Member Representatives*

The ASC board consists of seven individuals appointed by the heads of the FFIEC agencies, FHFA and HUD. Title XI also requires the FFIEC to appoint a Chairperson from the member representatives to serve a two-year term.



### **Board of Governors of the Federal Reserve System**

**Chairman:** Arthur Lindo, June 2013

Member Since: January 2012

Mr. Lindo is Senior Associate Director, Division of Banking Supervision and Regulation.



### **Office of the Comptroller of the Currency**

**Vice Chairman:** Richard B. Taft

Member Since: August 2015

Mr. Taft is Deputy Comptroller of Credit Risk.

**Member:** Darrin Benhart

Member Through: July 2015



### **Department of Housing and Urban Development**

**Member:** Vacant

Alternate Member: Ada Bohorfoush

Alternate Member Since: December 2011



### **Federal Deposit Insurance Corporation**

**Member:** Rae-Ann Miller

Member Since: February 2013

Ms. Miller is Associate Director, Risk Management Policy Branch, Division of Risk Management Supervision.



### **Federal Housing Finance Agency**

**Member:** Maria Fernandez

Member Since: October 2014

Ms. Fernandez is Acting Senior Associate Director, Housing and Regulatory Policy.

Alternate Member: Robert Witt

Alternate Member Since: July 2013



### **National Credit Union Administration**

**Member:** Timothy Segerson

Member Since: May 2013

Mr. Segerson is Deputy Director, Office of Examination and Insurance.



### **Consumer Financial Protection Bureau**

**Member:** Mira Marshall

Member Since: July 2012

Ms. Marshall is Senior Advisor to the Assistant Director, Office of Supervision Examinations.

Alternate Member: Calvin Hagins

Alternate Member Since: November 2012

# Administration of the Appraisal Subcommittee

## *Staff Listing*

**James R. Park**, Executive Director

**Denise E. Graves**, Deputy Executive Director

**Alice M. Ritter**, General Counsel

**Daniel L. Rhoads**, Attorney-Advisor

**L. Girard Hull**, Financial Manager

**Vicki A. Ledbetter-Metcalf**, Policy Manager

**Jenny Howard Tidwell**, Policy Manager

**Kristi A. Klamet**, Policy Manager

**Neal R. Fenochietti**, Policy Manager

**Claire M. Brooks**, Policy Manager

**Lori L. Schuster**, Management and Program Analyst

**Brian T. Kelly**, Administrative Officer/Project Manager - IT

**Maria Cahn**, Administrative Assistant

### **ASC Meeting Procedures**

The ASC held meetings in February, April, June, September and November 2015. Instructions on how to submit a request to attend the public portion of a meeting are available on the ASC website. The meeting agenda is posted in the *Federal Register* and on the website approximately seven business days prior to the scheduled meeting. Following passage of the Dodd-Frank Act, the ASC began holding its meetings in conformance with Section 1104(b) of Title XI, which instructs the ASC to “meet in public session after notice in the *Federal Register*, but [the ASC] may close certain portions of these meetings related to personnel and review of preliminary State audit reports.”

# State Appraiser Regulatory Program Oversight

As required by Title XI, the ASC monitors each State's Program for compliance with Title XI, AQB *Real Property Appraiser Qualification Criteria* (AQB Criteria), and ASC Policy Statements. Current Policy Statements are set forth in the Reference Materials section that follows this Annual Report. Appraisers credentialed by State Programs that do not comply with the requirements of Title XI may be prohibited from performing appraisals of real property involved in federally related transactions in that State. The ASC's Compliance Review of the State Programs focuses on three key components of Title XI: (1) complying with Title XI mandates and requirements of ASC Policy Statements; (2) maintaining a strong regulatory program; and (3) limiting overall risk of Program failure.

The ASC monitors State Programs largely through on-site visits to the States; the ASC performs an on-site Compliance Review of each State at least once every two years. (See Appendix D, *Tools for Monitoring State Compliance with Title XI*.) Programs that evidence noncompliance in one or more areas may be subject to additional oversight, including Follow-up Reviews, an accelerated Review Cycle, and/or off-site monitoring.

The ASC identifies State Programs that may have a significant impact on the nation's appraiser regulatory system. The following 14 States, listed alphabetically, collectively represent over 50% of the credentialed appraisers on the Appraiser Registry: California, Colorado, Florida, Georgia, Illinois, Michigan, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Texas, Virginia, and Washington. The ASC performs annual Priority Contact visits with these States in those years when Compliance Reviews are not scheduled. The ASC also conducts a Priority Contact visit for individual States when a specific concern warrants special attention by the ASC. 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.

In 2015, ASC Policy Managers conducted 30 Compliance Reviews; two Follow-up Reviews; and nine Priority Contacts.<sup>8</sup> (See Appendix B, *2015 Compliance Review Findings*.)

## Compliance Review Program

The ASC's Compliance Review process is a risk-based review process, focusing on areas of State Programs that are not in compliance with Title XI or that exhibit characteristics which could lead to non-compliance. Effective June 1, 2013, the ASC refined its Compliance Review process to better identify various stages of compliance.

Compliance Reviews are scheduled over a three to four-day period to coincide with a meeting of the State Program's decision-making body whenever possible. Preliminary Findings are communicated to the State in an ASC staff report and the State is given 60 days to respond. ASC staff then considers the State's response and makes formal recommendations for final disposition. The ASC, or its designated representative acting under delegated authority, considers the ASC staff report and recommendations along with responses from the State Program before rendering a decision. A final Compliance Review Report and letter to the State with a determination regarding the State's compliance with Title XI is then issued. (See Appendix B, *2015 Compliance Review Findings*.) Actions taken under delegated authority are presented to the ASC at its next regularly scheduled meeting.

State Programs are issued one of the following Findings:

- Excellent
- Good
- Needs Improvement
- Not Satisfactory
- Poor

Of the 30 Compliance Reviews performed in 2015, 6 States (20%) were found to be Excellent; 16 States (53%) were found to be Good; 8 States (27%) were found to be Needs Improvement; and no State was found to be Not Satisfactory or Poor.

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<sup>8</sup> Priority Contact visits may be performed onsite or by telephone.

The general areas of non-compliance with Title XI and the number of States experiencing those problems are presented in the *2015 Compliance Review Findings* (Appendix B). The most significant area of noncompliance involved statutes, regulations, policies and procedures as a result of Dodd-Frank Act amendments to Title XI and recent changes in AQB Criteria and ASC Policy Statements which required corrective legislative action in many States. States continue to show improvement in enforcement activities.

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# Advisory Committee

The Dodd-Frank Act included amendments to Title XI and expanded the ASC's authority to include rulemaking. The ASC established the Appraisal Subcommittee Advisory Committee for Development of Regulations (ASCAC or Committee) on February 18, 2014, in accordance with the Federal Advisory Committee Act (5 U.S.C., Appendix, as amended). The purpose of ASCAC is to provide independent advice and recommendations to the ASC regarding the development of regulations which may be prescribed by the ASC concerning: (1) temporary practice; (2) national registries; (3) information sharing; and (4) enforcement. The ASC primarily was seeking independent advice from the ASCAC concerning sanctions that the ASCAC deems advisable for purposes of enforcement of regulations promulgated by the ASC to State appraiser regulatory programs.

The Committee was composed of 18 members nominated by the ASC Executive Director and approved by the Chairman of the ASC in consultation with ASC members. ASCAC members represent a balance of expertise across the broad range of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies. All ASCAC members have extensive experience concerning the appraiser regulatory framework for federally related transactions. Membership in ASCAC was determined in accordance with the Amended Balanced Membership Plan effective June 2014. A link to the Amended Balanced Membership Plan can be found at <https://www.asc.gov/Advisory-Committee/Documents.aspx>. A list of members can be found at <https://www.asc.gov/Advisory-Committee/CommitteeMembership.aspx>.

The ASCAC held its final meeting in February 2015. Minutes for these meetings can be found at <https://www.asc.gov/Advisory-Committee/MeetingMinutes.aspx>. The ASCAC completed its work and presented its recommendations to the ASC in May 2015. Recommendations included both substantive and technical enhancements to existing Policy Statements, the National Registry of Appraisers and the developing National Registry of AMCs, enforcement of Title XI mandates and ASC Policy Statements, and temporary practice. Several substantive recommendations currently are being addressed, such as development and implementation of a unique identification number for appraisers on the National Registry of Appraisers.

# Appraisal Foundation Monitoring and Oversight

The ASC monitors the Foundation, including the AQB, ASB, and APB. The ASB and AQB are independent boards of the Foundation which serve as the congressionally-authorized sources for establishing appraiser qualifications and appraisal standards for federally related transactions. In monitoring the Foundation, the ASC attends AQB, ASB, APB and BOT meetings. The ASC may also provide comments on proposals and review final published documents regarding AQB Criteria and USPAP.

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# ASC Grants

## Foundation Grant

Title XI requires the ASC “to make grants in such amounts as it deems appropriate to the [Foundation], to help defray those costs of the Foundation relating to the activities of the [ASB] and [AQB].”<sup>9</sup>

The Foundation annually submits grant requests to coincide with the ASC’s fiscal year for consideration as part of the ASC’s budget process. As part of its review of the Foundation’s grant proposal, the ASC evaluates whether amounts requested are for “grant-eligible activities” under Title XI. For ASB, AQB or BOT expenses to be considered as “grant eligible activities,” they must meet the following requirements:

- ASB expenses must be related to the development, interpretation, amendment or advancement of USPAP, or related special projects and be included in the approved grant budget
- AQB expenses must be related to the development, interpretation, amendment or advancement of the AQB Criteria or related special projects, or maintenance of the National Uniform Examination and be included in the approved grant budget
- BOT expenses must be related to the development, interpretation, amendment or advancement of the USPAP or the AQB Criteria and be included in the approved grant budget

The ASC evaluates the impact of grant funding on the ASC’s financial condition to ensure consistency with its operating standards for maintaining appropriate reserves. The ASC awarded \$250,000 in grant funds to the Foundation in fiscal year 2015. Since the ASC’s inception in 1989, it has provided approximately \$20 million in aggregate grant funds.

Approved grant funds generally are disbursed monthly after the Foundation submits a detailed request for reimbursement that includes a summary of the amount and types of expenses and supporting documentation. ASC staff reviews each reimbursement request to ensure expenses requested for reimbursement are related to “grant-eligible activities” and that the expenses were included in the annual grant budget.

The ASC employs an independent auditing firm on an annual basis to perform an agreed upon procedures engagement in accordance with standards established by the American Institute of Certified Public Accountants relating to the Foundation grant and the applicable requirements of OMB Circular A-122.<sup>10</sup> The purpose of the engagement is to:

- Ascertain that grant funds are expended for the activities allowed in the grant
- Ascertain that costs charged to the grant are allowed under the grant agreement
- Note whether specific service or expenditure levels are maintained
- Ascertain whether minimum or maximum limits for specified services are met
- Determine whether funds were obligated within the period of availability and obligations were liquidated within the required time period
- Determine whether revenues are correctly recorded and disbursed in accordance with the grant/program

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<sup>9</sup> Title XI § 1109(b)(4), 12 U.S.C. § 3338.

<sup>10</sup> OMB Circular A-122, “Cost Principles for Non-Profit Organizations,” revised May 10, 2004. This Circular establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.



requirements

- Determine whether activities related to the grant occurred when the Foundation incurred the expenditure
- Ascertain the costs charged to the meetings are in compliance with the grant agreement
- Ascertain that the costs charged to the grant for conference calls are in compliance with the grant agreement

### **State Grant**

Title XI also requires the ASC to make grants to the States in accordance with policies developed by the ASC in support of State enforcement activities, in addition to other areas.<sup>11</sup> The ASC provided grant funds in 2015 in the amount \$238,117, administered by the Foundation, in support of the States for the development, presentation and hosting of State Investigator Training Courses. ASC grant funds paid for attendees' meeting materials, lodging and travel expenses for up to three individuals from each State. Positive feedback from the States resulted in the ASC approving funding for investigator training courses for 2016. The ASC has funded other educational programs for the States, including a mock complaint enforcement trial and a USPAP Update for Regulators, both of which were recorded and are available through the Foundation's e-library. The ASC continues to review other options for the use of State grant funds, including educational programs for State regulators.

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# Appraiser Registry

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<sup>11</sup> Title XI § 1109(b)(5), 12 U.S.C. § 3338.

Title XI requires the ASC to maintain an Appraiser Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions. As of December 31, 2015, the Appraiser Registry contained slightly more than 98,000 appraiser credentials<sup>12</sup> down 1% from the 99,524 entries at the end of 2014, and down 19% from the peak in 2007 of over 121,000. (See Appendix C, *National Appraiser Credential Statistics*.)

The Appraiser Registry is accessible at the ASC's website ([www.asc.gov](http://www.asc.gov)), and is used by appraisers, Federal and State agencies, financial institutions, users of appraisal services, law enforcement, and consumers. Use of the Appraiser Registry is free. The Appraiser Registry allows users to determine whether an appraiser is State certified or licensed to perform appraisals in connection with federally related transactions. Users can also access an appraiser's credential status and determine whether the appraiser's credential is currently suspended, revoked, or surrendered in lieu of State disciplinary action.

The Appraiser Registry facilitates information sharing that assists State Programs in enforcing their appraiser-related statutes and regulations, including temporary practice and reciprocity. Financial institutions and other users also can access the Appraiser Registry to:

- Receive automatic notifications about new revocations, suspensions, surrenders, and certification/license expirations
- Download publicly available information or parts of the Appraiser Registry into predefined queries and user-customized queries
- Verify appraiser credentials
- Set up automatic queries of Appraiser Registry information using a web service which allows computer systems used by lenders, regulatory agencies, and other authorized parties to integrate directly with the Appraiser Registry.

The Appraiser Registry also contains non-public data (such as certain disciplinary actions other than suspensions, revocations or voluntary surrenders). Access to nonpublic data is restricted to authorized State and Federal regulatory agency representatives.

In 2010, the ASC upgraded the Appraiser Registry to allow States to submit data to the ASC directly from their credential tracking applications. By the end of 2015, 27% of the States were reporting all of their appraiser data directly into the Appraiser Registry and all States were entering their appraiser disciplinary data into the Appraiser Registry as a supplement to the data files sent by the State periodically.

These upgrades reduce costs, increase efficiency, and allow States the opportunity to provide almost immediate updates to the Appraiser Registry, making it a more effective tool for users of appraisal services as well as consumers and law enforcement.

States reported 19,263 disciplinary actions taken against appraisers for misconduct or wrongdoing over the past 10 years. (See Appendix E, *Appraiser Disciplinary Actions Reported by States*.)

The ASC developed and began testing a unique identifier program (UID) during 2015 that assigns a unique number to each individual appraiser on the Appraiser Registry. This UID permits national linkage of information for each appraiser

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<sup>12</sup> This number does not represent the number of individual appraisers since some appraisers have credentials from multiple States.

without regard to license or credential numbers assigned by any particular State. The ASC anticipates that full implementation of the UID program will eliminate the transmission of personally identifiable information and improve information sharing among all users of the Appraiser Registry. The program involves one-time encryption at the State level of an appraiser's information. The resulting encrypted information will then be transmitted to the ASC which will further encrypt the provided information to create a single unique identification number for that individual appraiser. The ASC anticipates that the UID program will be fully operational by the end of the third quarter, 2016, if States are able to participate voluntarily. Rulemaking may, however, be required if any State is unable to voluntarily participate in the program which may delay full implementation.

The Appraiser Registry is one of several features of the ASC's website that is accessible to the general public at [www.asc.gov](http://www.asc.gov). The website also permits public access to other useful information, including ASC correspondence, Title XI statutory text, ASC Policy Statements, ASCAC charter and meeting minutes, charts summarizing State appraiser requirements, and State agency contact information. In addition, the website has a comprehensive Freedom of Information Act "public documents library" that is updated regularly and conforms to the Electronic Freedom of Information Act Amendments of 1996, 5 U.S.C § 552(a)(2).

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# Appraisal Complaint National Hotline

The ASC began operation of the Appraisal Complaint National Hotline (Hotline) on March 15, 2013. The Hotline refers complainants to the appropriate State and/or Federal agencies to handle complaints of alleged violations of USPAP and/or appraisal independence standards. The Hotline consists of three components: a website ([ReferMyAppraisalComplaint.asc.gov](http://ReferMyAppraisalComplaint.asc.gov)), a linked email, and a call center with a toll-free telephone number (877-739-0096).

The Hotline website received 4,723 contacts in calendar year 2015. Additionally, the toll-free telephone number received 200 calls and the email portal received 14 contacts. These contacts resulted in 455 referrals to State and Federal agencies. Appendix F, *Appraisal Complaint National Hotline*, contains more detailed information on the source of contacts, specific agency referrals, and whether the contact concerned issues of potential non-compliance with appraisal independence standards or violations of USPAP. Since the Hotline was designed as a referral system, it does not collect data on the resolution of complaints referred to the State or Federal agencies.

Appendix G, *Agency Complaint Data*, also contains data reported by the Federal financial institution regulatory agencies and CFPB concerning complaints received by them during calendar year 2015. The numbers reported in this table differ from those reported in the ASC's table for several reasons. The Hotline is a referral tool available to a wide range of users; consequently, not all complainants who access the Hotline will proceed to the filing of a complaint with one of the agencies, or they may choose to file a complaint with their State appraiser regulatory agency. Additionally, the reported data includes all appraisal-related complaints received by the Federal agency without identifying whether the complainant used the Hotline to obtain the referral information. States do not report data on appraisal-related complaints to the ASC, although a State's processing and disposition of complaints are part of the Compliance Review process.

# Activities of the ASC Member Agencies

Following Title XI's adoption in 1989, each of the Federal financial institutions regulatory agencies and HUD adopted appraisal-related rules and policies. The OCC, Federal Reserve, FDIC and NCUA also jointly issued *Interagency Appraisal and Evaluation Guidelines* (Guidelines)<sup>13</sup> that clarify the long-standing expectations for an institution's appraisal and evaluation program.<sup>14</sup> The Guidelines address an institution's collateral valuation function, including independence in the appraisal and evaluation functions, minimum appraisal standards for federally related financial transactions, the development and content of evaluations, appraisals for residential tract development lending, and background on USPAP. The appraisal regulations require federally regulated institutions to ensure that appraisals supporting federally related transactions comply with USPAP.

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<sup>13</sup> Updated 2010.

<sup>14</sup> See 75 *Federal Register* 77450 (December 10, 2010).

# Interagency Activity

## Minimum Requirements for Appraisal Management Companies

Title XI, as amended, required the OCC, Federal Reserve, FDIC, NCUA, FHFA, and CFPB (collectively, the Agencies) to jointly establish minimum requirements to be applied by participating States in the registration and supervision of AMCs.<sup>15</sup> The Agencies jointly proposed a rule in April 2014 to establish and implement these minimum requirements.<sup>16</sup> The proposed rule also addressed the requirement in Title XI for participating States to report to the ASC the information required by the ASC to administer the AMC Registry. The Agencies adopted a final rule in 2015.<sup>17</sup>

The final rule applies to AMCs with appraiser panels that meet the statutory size threshold and to AMCs that are a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency (federally regulated AMCs). Federally regulated AMCs are not required to register with a State, but are required to be listed on the AMC Registry maintained by the ASC. The AMC Registry and annual AMC Registry fees will be implemented along with the State's establishment of AMC registration in accordance with the final regulations currently being developed by the ASC. The ASC anticipates that proposed regulations addressing the AMC Registry and annual AMC Registry fees will be published for public comment during the second quarter of 2016.

The final rule does not compel a State to establish an AMC registration and supervision program, and no penalty will be imposed on a State that does not establish a regulatory structure for AMCs. However, in States that do not establish a regulatory structure within 36 months from the effective date of the final rule (August 10, 2015), a non-federally regulated AMC is barred by section 1124 from providing appraisal management services for federally related transactions. The ASC may grant a 12 month extension of this time period in certain circumstances. A State will be able to adopt a regulatory structure for AMCs thereafter, which would lift this restriction.

## Automated Valuation Models (AVMs)

Title XI requires the Agencies, in consultation with the staff of the ASC and the ASB, to promulgate regulations implementing quality control standards for AVMs which are defined as any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer's principal dwelling<sup>18</sup>. The AVM regulations are to implement requirements that AVMs adhere to quality control standards designed to ensure a high level of confidence in the estimates produced by AVMs and protect against manipulation of data, among other things. The interagency group continued development of these regulations in 2015.

## Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA)

EGRPRA requires the Federal Financial Institutions Examination Council, the FDIC, the Federal Reserve, and the OCC to review their regulations at least once every ten years to identify any regulations that are outdated, unnecessary, or unduly burdensome. The NCUA, though not subject to EGRPRA, voluntarily participates in EGRPRA with other FFIEC members. These agencies began holding regional outreach meetings in 2014 and continued that process in 2015. Several commenters requested that the agencies review long standing thresholds, including the threshold in the agencies' appraisal regulations that contain a \$250,000 threshold below which an appraisal is not required for federally related transactions.

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<sup>15</sup> Title XI § 1124(a), 12 U.S.C. § 3353(a).

<sup>16</sup> See 79 *Federal Register* 19521 (April 9, 2014).

<sup>17</sup> See 80 *Federal Register* 32658 (June 9, 2015).

<sup>18</sup> Title XI § 1125(d), 12 U.S.C. § 3354(d).

# Member Agency Activity

Several ASC member agencies issued real property appraisal related rules, guidance and training in addition to the interagency rulemaking projects.

## **Federal Reserve Board**

In April 2015 the Federal Reserve, along with the other banking agencies, issued the final rule establishing Minimum Requirements for Appraisal Management Companies. Federal Reserve staff also participated in several outreach programs including panel discussions and a webinar to explain the banking agency's appraisal regulation and guidance to persons involved in the appraisal profession as well as users of appraisal services and appraiser regulators. The Federal Reserve also publishes Community Banking Connections, a web-based publication that provides community bankers with access to information on safe and sound banking practices including compliance with appraisal regulation and guidance.

## **Comptroller of the Currency**

The OCC issued a Comptroller's Handbook titled *Safety and Soundness: Residential Real Estate Lending* in June 2015.<sup>19</sup> The handbook was prepared for use by OCC examiners in connection with examination and supervision of national banks and federal savings associations. The Comptroller's Handbook provides appraisal guidance emphasizing the need for lenders to utilize competent independent appraisers. OCC examiners also provided frequent training on various banking safety and soundness issues including appraisals and evaluations. OCC staff participated in outreach programs addressing the appraisal profession, users of appraisal services, and appraisal regulations and guidances.

## **Federal Deposit Insurance Corporation**

The FDIC provides guidance and outreach to various segments of the lending community through programs such as the Directors' College Program and Technical Assistance Video Program. This training includes guidance on appraisals and evaluations. FDIC staff participated in outreach programs to various members of the appraisal profession as well as users of appraisal services and appraiser regulators and held a teleconference with FDIC supervised institutions to discuss regulatory expectations and review programs for appraisals. The FDIC continues to work with the other member agencies on interagency rulemaking for appraisal-related provisions of the Dodd-Frank Act. FDIC examiners receive training on a variety of topics, including appraisals and evaluations.

## **National Credit Union Administration**

The NCUA Board (Board) jointly issued regulations pertaining to minimum requirements for appraisal management companies as required under section 1473 of the Dodd Frank Wall Street Reform and Consumer Protection Act. Regulatory amendments to NCUA's regulations regarding appraisals also became effective in 2015. These amendments removed redundant requirements resulting from CFPB amendments to its Regulation B and expanded the types of transactions for which an appraisal would not be required.

## **Consumer Financial Protection Bureau**

The CFPB's Regulation B (12 CFR Part1002), effective January 18, 2014, provides for the following in connection with applications for credit secured by a first lien on a dwelling:

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<sup>19</sup> OCC Comptroller's Handbook A-RRE "Residential Real Estate Lending" issued June 2015.

- Requires creditors to notify applicants within three business days of receiving an application of their right to receive a copy of appraisals developed in connection with the application.
- Requires creditors to provide applicants a copy of each appraisal and other written valuation promptly upon its completion or three business days before consummation (for closed-end credit) or account opening (for open-end credit), whichever is earlier.
- Permits applicants to waive the timing requirement for providing these copies, except where otherwise prohibited by law. Applicants who waive the timing requirement must, however, be given a copy of all appraisals and other written valuations at or prior to consummation or account opening, or, if the transaction is not consummated or the account is not opened, no later than 30 days after the creditor determines the transaction will not be consummated or the account will not be opened.
- Prohibits creditors from charging for copies of appraisals and other written valuations, but permit creditors to charge applicants reasonable fees for the cost of preparing the appraisals or other written valuations unless applicable law provides otherwise.

The CFPB's Small Entity Compliance Guides<sup>20</sup> continue to be available with respect to the ECOA Valuations Rule and the HPML Appraisals Rule described above. The Compliance Guides provide plain language summaries of the ECOA Valuations Rule and the HPML Appraisals Rule and highlight issues that small creditors, and those that work with them, might find helpful to consider when implementing the rules. The Compliance Guides were updated when the CFPB published an amendment to the original ECOA Valuations Rule and when the interagency group published an amendment to the HPML Appraisals Rule, which included certain provisions related to manufactured housing that took effect on July 18, 2015.

## **Federal Housing Finance Agency**

Fannie Mae continues to leverage appraisal data collected through the Uniform Collateral Data Portal® (UCDP®) for a variety of loan quality and risk management purposes as well as to inform clarifications and/or modifications to collateral valuation policy. Fannie Mae published a Lender Letter (2015-02: Appraisal Tools) to provide clarification and additional information regarding Fannie Mae tools and policy updates that had been published in the previous 12 to 18 months. Topics in the letter included facts related to the implementation of Collateral Underwriter™ (CU™), Appraiser Quality Monitoring (AQM), and discussion of updates to the Property Eligibility and Appraisal Requirements section of the Selling Guide.

Fannie Mae continues to operate the AQM with measurable success. Areas of focus in 2015 included: data discrepancy issues primarily focused on inconsistent or inaccurate use of the condition and quality ratings; identical adjustments for differences in square footage across all property types, price tiers, and locations; lack of adjustments for time in rapidly changing markets. Fannie Mae has observed an improvement rate in excess of 90% on subsequent appraisal submissions when appraisers receive educational letters.

Fannie Mae made its proprietary appraisal review application, Collateral Underwriter® (CU®), available to lenders in January 2015. All lenders submitting appraisals to the UCDP® now receive CU® findings including the CU® Risk Score, Risk Flags, and Messages. Lenders may also register for the CU® web application that includes the findings along with comparable sales data, public records, building permits, local market trends, aerial/street-view photography and other functionality to assist with in-depth analysis of the appraisal. One year after its launch, over 13,000 individual users from over 1,500 lenders are registered for access and nearly 900,000 appraisals have been reviewed by lenders in the CU® web application. Feedback from lenders has been overwhelmingly positive with many reporting

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<sup>20</sup> Links to the Compliance Guides are found here: <http://www.consumerfinance.gov/regulatory-implementation/title-xiv/>.



improvement in appraisal quality and reduction of time and costs in their appraisal review or underwriting departments. Starting in April 2015, CU® findings are also now available to lenders through Desktop Underwriter®.

### **Department of Housing and Urban Development**

In September 2015, the Federal Housing Agency (FHA) handbook 4000.1 took effect. The handbook includes a new section regarding FHA's appraisal and property inspection. The handbook includes specific appraisal observation requirements as well as the requirement that all FHA appraisers comply with USPAP.

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# Activities of the Appraisal Foundation

The Appraisal Foundation (Foundation) is a not-for-profit corporation established in 1987. It serves as the parent organization for three boards: the Appraisal Standards Board (ASB), which is responsible for promulgating and maintaining the *Uniform Standards of Professional Appraisal Practice* (USPAP); the Appraiser Qualifications Board (AQB), which establishes minimum *Real Property Appraiser Qualification Criteria* (*Criteria*) for appraisers performing work for federally related transactions; and the Appraisal Practices Board (APB), which develops voluntary guidance related to recognized valuation methods and techniques.

The Foundation continued oversight of the AQB, ASB and APB during 2015. Additionally, Foundation staff provided administrative support for the State Investigator Training Program, a joint effort of the Foundation and the Association of Appraiser Regulatory Officials (AARO), and the Appraisal Subcommittee (ASC). The program is designed to train state regulators on USPAP enforcement and investigative techniques. The program covers three levels: Level 1 is a basic course on USPAP and the regulatory system; Level 2 is a more detailed review of USPAP and includes issues related to case management; and, Level 3, initiated in 2014, is more advanced training on conducting interviews, writing reports, and presenting findings. Since 2009, program attendance includes 54 of the 55 states and jurisdictions, with 385 attendees completing Level 1, 263 completing Level 2 and 87 completing Level 3. The ASC funds the attendance of state regulators through the state grant process.

In 2015, the Foundation focused on communicating with the consumer public by establishing a Consumer Affairs and Stakeholder Outreach Committee. The Foundation also continued to focus on public relations and communications with appraisers and users of appraisal services.

**AQB:** The AQB focused on assisting appraisers, state appraiser regulatory agencies, educators, and others with understanding and implementing revised *Criteria* that were adopted in December 2011, and became effective on January 1, 2015. The AQB also adopted new *Criteria* related to background checks, which will become effective on January 1, 2017. This deferred effective date provides states the opportunity to ensure that appropriate procedures are in place to administer this requirement.

As it does annually, the AQB updated the *National Uniform Licensing and Certification Examinations*. Consistent with prior years, the overall national pass rates in 2015 for first-time takers of the exams was 63%. The number of first-time exam takers decreased from 2,630 in 2014 to 973 in 2015, which reflects the large number of individuals seeking a credential prior to the new *Criteria* going into effect in 2015.

The AQB's voluntary Course Approval Program (CAP) is designed to facilitate state approval of appraiser education courses. At the end of 2015, there were over 275 courses approved by the AQB through CAP, including 11 courses that were approved as equivalent to the *National USPAP Courses*. Approved courses are posted on the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

The AQB also continued its program to review and approve graduate and undergraduate degrees with an emphasis in real estate from accredited colleges and universities; successful completion of approved degree programs satisfy the majority of the minimum education required to become a real property appraiser. By the end of 2015, the AQB had approved a total of 11 programs from six accredited colleges and universities.

In an effort to address concerns of a potential shortage of appraisers in certain markets, the AQB commenced an examination of alternative tracks towards obtaining an appraiser credential and issued a concept paper on the topic in July 2015. Based on the considerable feedback received in response to that document, the AQB followed-up with a public hearing in Washington, DC in October 2015. Panels of appraisers, users of appraisal services, educators, and regulators came forth to share their views. Further examination of this issue will be a primary focus for the AQB in 2016.

**ASB:** After exposing numerous drafts of proposed changes for the 2016-17 edition of USPAP in 2014, the ASB formally adopted revisions at its public meeting in New Orleans in February 2015. The ASB then began the process of updating the applicable portions of USPAP, the Advisory Opinions, and the Frequently Asked Questions (FAQs). Timely completion

of these updates resulted in the 2016-17 edition of USPAP being available by mid-September 2015, which allowed appraisers, users of appraisal services, educators and regulators, ample time to familiarize themselves with the new edition.

The ASB also worked with the AQB to update the national USPAP courses to reflect the 2016-17 revisions. The *15-Hour National USPAP Course* is designed for those students entering the appraisal profession, and provides a comprehensive overview of USPAP. The *7-Hour National USPAP Update Course* is designed to be more meaningful for practicing appraisers, who are required to complete the course every two years. The 7-Hour course not only highlights the revisions to USPAP, but also covers common USPAP-related issues that may arise in day-to-day appraisal practice.

The ASB and the AQB also worked on improving course and examination material for the AQB Certified USPAP Instructor program. The USPAP Instructor Certification Course is currently offered approximately once every two years, with the next offering scheduled for Spring 2016. To receive credit for state licensing purposes, the national USPAP courses must be taught by an AQB Certified USPAP Instructor, who is also a state certified appraiser in good standing. There are just under 500 AQB Certified USPAP Instructors nationwide.

**APB:** The APB provides voluntary guidance on recognized valuation methods and techniques. In 2015, the APB continued developing guidance on valuation of green and high performance properties, collection and verification of sales data, and other issues of interest to appraisal professionals.

More information on the Foundation and its activities can be found at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

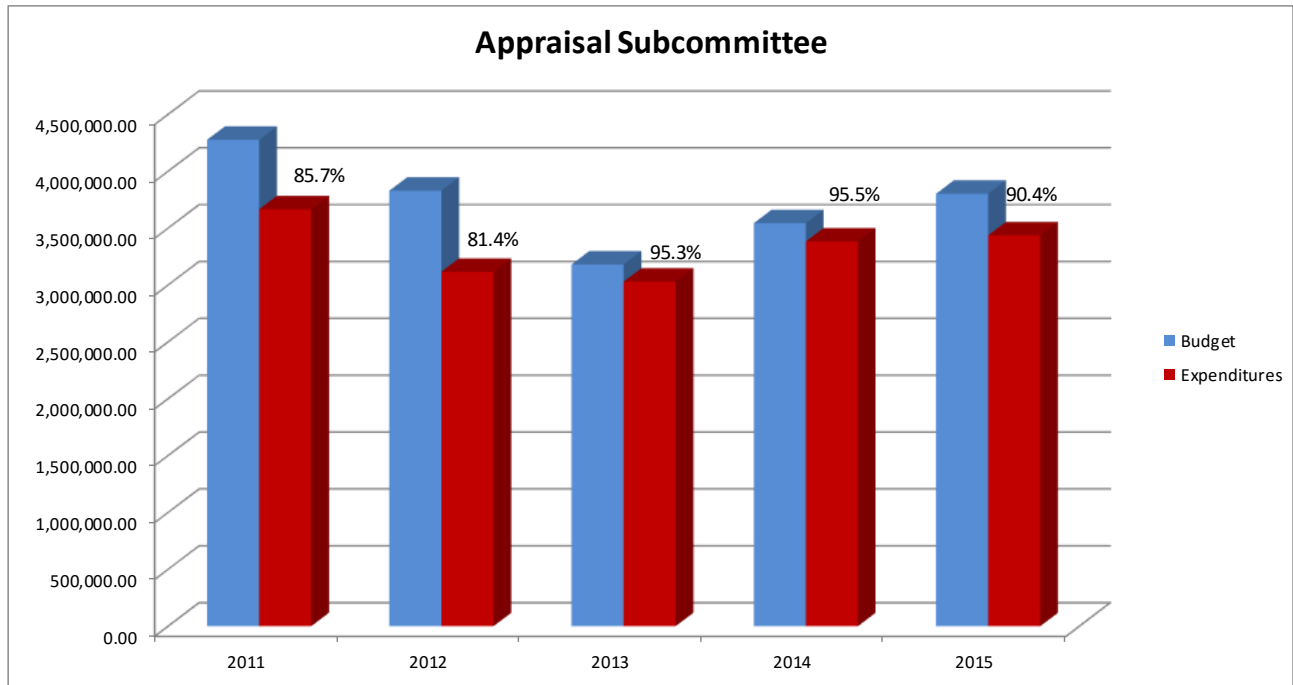
# Financial Status of the ASC

In fiscal year 2015, the ASC's revenue totaled approximately \$3.6 million, and expenses (including the Foundation grant and State grants) totaled approximately \$3.4 million. All ASC funds are derived from the Appraiser Registry fee that licensed and certified appraisers pay on an annual basis to be listed on the Appraiser Registry as eligible to perform appraisals for federally related transactions. This annual Appraiser Registry fee is \$40 effective January 1, 2012.

Appendix A contains the ASC's audited financial statements for fiscal year 2015, ending September 30, 2015. The ASC realized net income of approximately \$140,000. The ASC had reserves of over \$4.6 million. The external auditors found no material weakness involving the ASC's internal control structure and operation, or any material instances of noncompliance with selected provisions of applicable laws and regulations tested.

The ASC continued to provide careful stewardship of the funds entrusted to it as the following charts demonstrate. The bar graph reflects expenditures versus budgeted amounts for the most recent five-year period. This data reflects the ASC's continuing efforts to operate in an efficient and effective manner as shown by the fact that expenditures consistently were held below budgeted amounts, notwithstanding the impact of sequestration.

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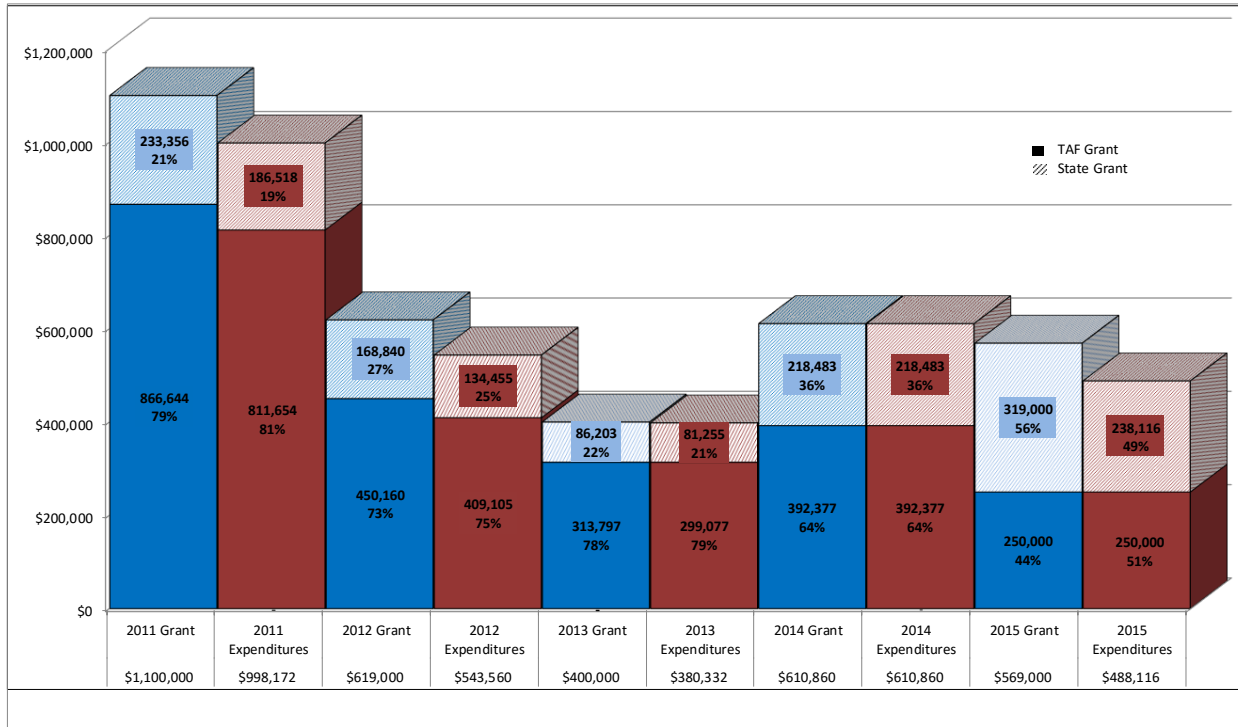


**Appraisal Subcommittee (5 Yr Trend)**

	Budget	Expenditures	% Expended
2011	4,276,757.00	3,666,011.00	85.7%
2012	3,829,701.00	3,116,098.00	81.4%
2013	3,180,692.00	3,029,949.00	95.3%
2014	3,544,282.00	3,383,062.00	95.5%
2015	3,802,136.00	3,436,395.00	90.4%

### ASC Grant Awards

(includes grants for The Appraisal Foundation & State Investigator Training Program)



### ASC Grant Awards

	Awarded	Expended	% Expended
2011	\$1,100,000	\$998,172	90.7%
2012	619,000	543,560	87.8%
2013	400,000	380,332	95.1%
2014	610,860	610,860	100.0%
2015	569,000	488,116	85.8%

# Appendix A

## *Financial Statements*

**Appraisal Subcommittee Financial Statements**

**September 30, 2015 and 2014**

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# **APPRAISAL SUBCOMMITTEE**

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## **FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**



# APPRAISAL SUBCOMMITTEE

## Financial Statements

September 30, 2015 and 2014

### C O N T E N T S

<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements:</b>	
Statements of Net Position	3
Statements of Operations and Changes in Net Position	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-10
<b>Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	11-12



## **INDEPENDENT AUDITORS' REPORT**

To the Appraisal Subcommittee of the  
Federal Financial Institutions Examination Council  
Washington, DC 20005

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Appraisal Subcommittee, which comprise the statements of net position as of September 30, 2015 and 2014, the related statements of operations and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Appraisal Subcommittee as of September 30, 2015 and 2014, and the respective changes in net position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016 on our consideration of the Appraisal Subcommittee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appraisal Subcommittee's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

Certified Public Accountants  
Braintree, Massachusetts

January 19, 2016

# APPRAISAL SUBCOMMITTEE

## Statements of Net Position

September 30,

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Fund balances with U.S. Treasury	\$ 6,150,448	\$ 6,192,817
Restricted fund balances with U.S. Treasury	1,371,513	1,015,782
Accounts receivable	<u>554,820</u>	<u>532,914</u>
<b>Total Current Assets</b>	<b><u>8,076,781</u></b>	<b><u>7,741,513</u></b>
<b>Property and Equipment, net</b>	<b><u>22,107</u></b>	<b><u>18,894</u></b>
<b>Total Assets</b>	<b><u>\$ 8,098,888</u></b>	<b><u>\$ 7,760,407</u></b>

## Liabilities and Net Position

<b>Current Liabilities:</b>		
Accounts payable	\$ 66,046	\$ 28,855
Grants payable	184,560	193,030
Accrued expenses	319,611	301,110
Unearned revenues	<u>1,384,423</u>	<u>1,578,171</u>
<b>Total Current Liabilities</b>	<b><u>1,954,640</u></b>	<b><u>2,101,166</u></b>
<b>Non-Current Liabilities:</b>		
Unearned revenues	81,644	91,973
Restricted funds held for others	<u>1,371,513</u>	<u>1,015,782</u>
<b>Total Non-Current Liabilities</b>	<b><u>1,453,157</u></b>	<b><u>1,107,755</u></b>
<b>Total Liabilities</b>	<b><u>3,407,797</u></b>	<b><u>3,208,921</u></b>
<b>Net Position</b>	<b><u>4,691,091</u></b>	<b><u>4,551,486</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 8,098,888</u></b>	<b><u>\$ 7,760,407</u></b>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Statements of Operations and Changes in Net Position

For the Years Ended September 30,

	<u>2015</u>	<u>2014</u>
<b>Registry Fees</b>	<b><u>\$ 3,576,000</u></b>	<b><u>\$ 3,815,854</u></b>
<b>Operating Expenses:</b>		
Personnel compensation and benefits	1,947,680	1,916,893
Contracted services	393,592	340,918
Rent, communications and utilities	276,512	281,196
Travel and transportation	177,465	158,709
Printing and reproduction	24,125	32,943
Other	22,219	7,895
Supplies and materials	14,763	14,746
Depreciation	<u>11,039</u>	<u>18,902</u>
<b>Total Operating Expenses</b>	<b><u>2,867,395</u></b>	<b><u>2,772,202</u></b>
<b>Appraisal Foundation Grants:</b>		
ASB and AQB Grant	250,000	392,377
State Investigator Training Grant	<u>319,000</u>	<u>218,483</u>
<b>Total Appraisal Foundation Grants</b>	<b><u>569,000</u></b>	<b><u>610,860</u></b>
<b>Changes in Net Position</b>	<b>139,605</b>	<b>432,792</b>
Net Position, Beginning of Year	<u>4,551,486</u>	<u>4,118,694</u>
Net Position, End of Year	<b><u>\$ 4,691,091</u></b>	<b><u>\$ 4,551,486</u></b>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Statements of Cash Flows

For the Years Ended September 30,

	<u>2015</u>	<u>2014</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net position	<u>\$ 139,605</u>	<u>\$ 432,792</u>
Adjustments to reconcile changes in net position to net cash provided by (applied to) operating activities:		
Depreciation	11,039	18,902
Changes in assets and liabilities:		
Accounts receivable	(21,906)	105,642
Accounts payable	37,191	(43,640)
Grants payable	(8,470)	(44,654)
Unearned revenues	(204,077)	116,861
Accrued expenses	<u>18,501</u>	<u>3,484</u>
Total Adjustments	<u>(167,722)</u>	<u>156,595</u>
Net Cash Provided by (Applied to) Operating Activities	<u>(28,117)</u>	<u>589,387</u>
<b>Cash Flow from Investing Activity:</b>		
Acquisition of property and equipment	<u>(14,252)</u>	<u>-</u>
<b>Net Change in Fund Balances with U.S. Treasury</b>	<b>(42,369)</b>	<b>589,387</b>
Fund Balances with U.S. Treasury, Beginning of Year	<u>6,192,817</u>	<u>5,603,430</u>
<b>Fund Balances with U.S. Treasury, End of Year</b>	<b><u>\$ 6,150,448</u></b>	<b><u>\$ 6,192,817</u></b>

*The accompanying notes are an integral part of the financial statements.*

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements

September 30, 2015 and 2014

Note 1 - **Summary of Significant Accounting Policies**

**Organization**

The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (the "Appraisal Subcommittee" or "ASC") was created by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. The mission of the Appraisal Subcommittee is to monitor the certification and licensing programs of the States to determine compliance with Title XI of FIRREA. The purpose of this title is to ensure that the Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with Federally related transactions are 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. In accordance with Title XI of FIRREA, an appraiser must be registered to perform appraisals connected to federal transactions. Effective January 1, 2012, ASC raised the annual fee assessed to the states from \$25 per registered appraiser to \$40.

The Federal financial institutions regulatory agencies include the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency, and the National Credit Union Administration. The member agencies of the Appraisal Subcommittee include the Federal financial institutions regulatory agencies, the Department of Housing and Urban Development, and the Federal Housing Finance Agency (FHFA). The CFPB and FHFA were added as members to the ASC as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

**Method of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Financial Accounting Standards and Interpretations (SFFAS 34), as well as certain AICPA pronouncements specifically made applicable to federal government entities by FASAB Statements or Interpretations.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2015 and 2014

Note 1 - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances with U.S. Treasury

Fund balances with the U.S. Treasury are amounts remaining as of fiscal year-end from which the Appraisal Subcommittee is authorized to make expenditures and pay liabilities resulting from operational activities, except as restricted by law.

Restricted Fund Balances with U.S. Treasury

Restricted fund balances with the U.S. Treasury are amounts restricted by law that the Appraisal Subcommittee received in conjunction with the fee increase, as permitted by the Dodd-Frank Act. These funds directly relate to 25% of the fee increase, which Congress did not specify were available for use by the Appraisal Subcommittee. Accordingly, these funds have been classified as a liability on the statement of net position.

Cash and Equivalents

For financial statement purposes, the Appraisal Subcommittee considers all investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due to the Appraisal Subcommittee for registry fees. As of the balance sheet date, management is of the opinion that an allowance for doubtful accounts is not necessary.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to ten years. The capitalization threshold is \$5,000 for assets with a useful life of three or more years. For bulk purchases, items will be capitalized when the individual useful lives are at least three years and have an aggregate value of \$15,000 or more.



# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2015 and 2014

Note 1 - **Summary of Significant Accounting Policies - Continued**

*Unearned Revenues*

Registry fees received in advance are deferred and recognized as earned during the applicable fee year.

*Tax Status*

The Appraisal Subcommittee is a Federal governmental agency and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

*Reclassification*

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Note 2 - **Property and Equipment**

Property and equipment at September 30, consist of the following:

	<u>2015</u>	<u>2014</u>
Computer Equipment	\$ 432,410	\$ 418,158
Furniture	<u>31,803</u>	<u>31,803</u>
	464,213	449,961
Less: accumulated depreciation	<u>442,106</u>	<u>431,067</u>
Net Property and Equipment	<u>\$ 22,107</u>	<u>\$ 18,894</u>

Note 3 - **Retirement and Benefit Plans**

The Appraisal Subcommittee contributes to the Civil Service Retirement System and the Federal Employees' Retirement System administered by the Office of Personnel Management for the benefit of U.S. Government employees. The retirement plans are participatory. Under the Civil Service Retirement System, the employer and employee each contribute 7 percent of salary to the plan. Under the Federal Employees' Retirement System, 13 percent of salary is contributed by the Appraisal Subcommittee and 1 percent of salary is contributed by the employee.

The Appraisal Subcommittee contributes up to 5 percent of base pay for participants in the Thrift Savings Plan under the Federal Employees Retirement System. Contributions by the Appraisal Subcommittee during fiscal years 2015 and 2014 for the Civil Service Retirement System and the Federal Employees' Retirement System plans aggregated approximately \$237,000 and \$208,000, respectively.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2015 and 2014

Note 3 - **Retirement and Benefit Plans - Continued**

Although the Appraisal Subcommittee contributes a portion of pension benefits for its employees participating in the retirement plans and withholds the necessary payroll deductions from them, it has no liability for future payments to employees under those programs and is not accountable for the assets of the Civil Service and Federal Employees' Retirement Systems, nor does the Appraisal Subcommittee have actuarial data concerning the accumulated plan benefits or the unfunded pension liability relating to its employees. These amounts are reported by the Office of Personnel Management for the retirement systems and are not allocated to the individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired Federal employees.

Note 4 - **Appraisal Foundation Grant**

Title XI of FIRREA provides that amounts appropriated for, or collected by, the Appraisal Subcommittee be used to make grants to The Appraisal Foundation (the "Foundation") to help defray costs of the Foundation relating to the activities of its Appraisal Standards Board (ASB), Appraiser Qualification Board (AQB), and State Investigator Training Grants. Since inception of the Appraisal Subcommittee on August 9, 1989, it has made grants to the Foundation under which approximately \$18,814,000 was expended through September 30, 2015. As of September 30, 2015, the Appraisal Subcommittee has \$184,560 in undistributed grant funding available to the Foundation for the grant year ending September 30, 2015, which is recorded in grants payable.

Note 5 - **Interagency Transactions**

The Appraisal Subcommittee has a Memorandum of Understanding with the U.S. General Services Administration (GSA) to share the costs of office space, including operating costs and real estate taxes, expiring September 2018. Payments are due monthly, as billed by GSA. Base rent expense totaled \$230,453 and \$224,974 for the years ended September 30, 2015 and 2014, respectively. Although the ultimate responsibility of the lease is that of the GSA, the Memorandum of Understanding is a lease agreement, in substance rather than form.

# APPRAISAL SUBCOMMITTEE

## Notes to the Financial Statements - Continued

September 30, 2015 and 2014

Note 5 - **Interagency Transactions - Continued**

Minimum future payments under the agreement subsequent to September 30, 2015 are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2016	\$ 225,449
2017	225,449
2018	<u>225,449</u>
Total	<u>\$ 676,347</u>

In conducting its administrative operations, the Appraisal Subcommittee uses the services of various other Federal Agencies. The largest of the administrative service arrangements is with the U.S. General Services Administration for certain accounting and reporting functions, and processing of payroll and related benefits. Operating expenses of the Appraisal Subcommittee for fiscal years ended 2015 and 2014 include approximately \$44,000 and \$47,000, respectively, for these services. These costs are included in contracted services on the statements of operations.

Note 6 - **Management's Acceptance of Financial Statements**

Management has evaluated subsequent events through January 19, 2016, the date for which the financial statements were available for issuance.

**Independent Auditors' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***



**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Appraisal Subcommittee of the  
Federal Financial Institutions Examination Council  
Washington, DC 20005

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Appraisal Subcommittee, which comprise the statement of net position as of September 30, 2015, the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Appraisal Subcommittee's basic financial statements and have issued our report thereon dated January 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Appraisal Subcommittee's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Appraisal Subcommittee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Appraisal Subcommittee's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Appraisal Subcommittee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Appraisal Subcommittee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Appraisal Subcommittee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connor and Drew, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

January 19, 2016

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# Appendix B

## *2015 Compliance Review Findings*

### 2014—2015 Compliance Review Findings

Requirement/Guidance Areas		
	2015 30 States Reviewed	2014 26 States Reviewed
<b>Statutes, Regulations, Policies and Procedures:</b>	12	25
<b>Temporary Practice:</b>	1	2
<b>National Registry:</b>	0	1
<b>Application Process:</b>	10	6
<b>Reciprocity:</b>	0	1
<b>Education:</b>	0	4
<b>Enforcement:</b>	3	9
	2015 30 States Reviewed	2014 26 States Reviewed
<b>Excellent</b>	6	4
<b>Good</b>	16	15
<b>Needs Improvement</b>	8	6
<b>Not Satisfactory</b>	0	1
<b>Poor</b>	0	0

The table above documents the 2014 and 2015 Compliance Review Findings by requirement and areas of guidance.



### *State Compliance Review Finding Descriptions*

The charts below provide an explanation of ASC Findings and rating criteria.

<b>ASC Finding</b>	<b>Rating Criteria</b>	<b>Review Cycle**</b>
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor*	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\* An ASC Finding of "Poor" may result in significant consequences to the State. *See* Policy Statement 5, *Reciprocity*; *see also* Policy Statement 8, *Interim Sanctions*.

\*\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

*2015 Compliance Review Summary*

<b>State</b>	<b>Date of Review</b>	<b>ASC Finding</b>	<b>Review Cycle</b>
Delaware	January	Good	Two-Year
Tennessee	January	Excellent	Two-Year
Indiana	February	Needs Improvement	Two-Year
Florida	February	Good	Two-Year
District of Columbia	March	Good	Two-Year
Kentucky	March	Excellent	Two-Year
Nebraska	March	Good	Two-Year
New Hampshire	April	Excellent	Two-Year
Idaho	April	Good	Two-Year
New Mexico	April	Good	Two-Year
South Carolina	May	Needs Improvement	Two-Year
Utah	May	Good	Two-Year
Maine	June	Good	Two-Year
Mississippi	June	Needs Improvement	Two-Year
Wisconsin	June	Good	Two-Year
Iowa	July	Excellent	Two-Year
Alaska	July	Good	Two-Year
New York	August	Needs Improvement	Two-Year
Ohio	August	Excellent	Two-Year
Virginia	August	Needs Improvement	Two-Year with Follow-up
Illinois	September	Needs Improvement	Two-Year
Montana	September	Good	Two-Year
Wyoming	September	Good	Two-Year
Oklahoma	October	Good	Two-Year
Rhode Island	October	Needs Improvement	Two-Year
Kansas	October	Excellent	Two-Year
Mariana Islands	November	Needs Improvement	Two-Year
Guam	November	Good	Two-Year
Hawaii	December	Good	Two-Year
Puerto Rico	December	Good	Two-Year

# Appendix C

## *National Appraiser Credential Statistics*

*Note: These statistics reflect the number of appraiser credentials, not the number of appraisers, listed on the National Registry. It is not uncommon for the same appraiser to hold multiple State credentials.*

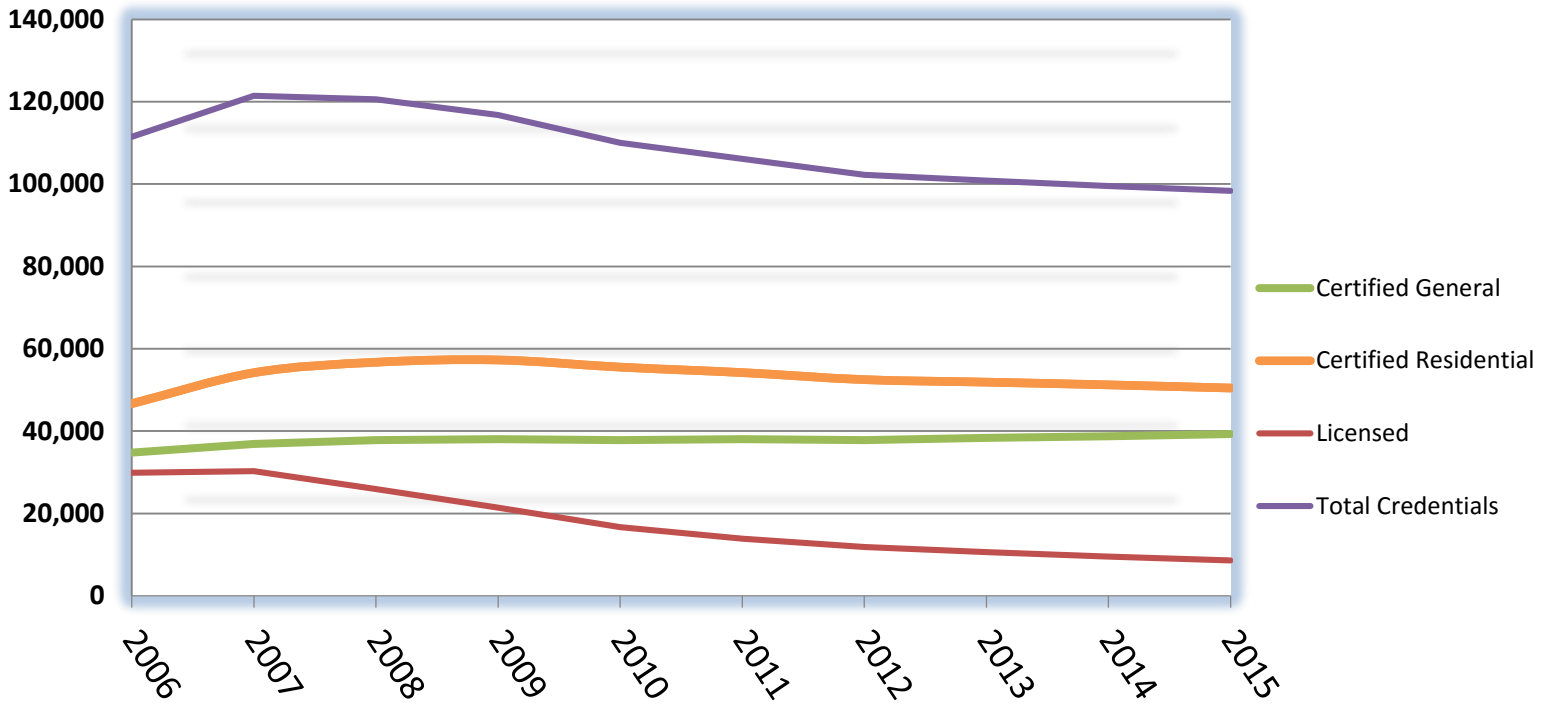
### ***Appraiser Registry Credentials—Year-End 2006–2015***

<b>Year-End</b>	<b>Certified General</b>	<b>Certified Residential</b>	<b>Licensed</b>	<b>Transitional</b>	<b>Total Credentials</b>
2006	34,812	46,701	29,921	51	111,485
2007	36,881	54,177	30,286	63	121,407
2008	37,851	56,704	25,931	65	120,551
2009	38,061	57,253	21,434	43	116,791
2010	37,807	55,522	16,674	23	110,026
2011	38,016	54,201	13,900	13	106,130
2012	37,834	52,504	11,875	12	102,225
2013	38,332	51,893	10,648	0	100,873
2014	38,777	51,240	9,507	0	99,524
2015	39,257	50,472	8,622	0	98,351

Note: Transitional licensing enabled persons to become licensed when they passed the appropriate examination but lacked either the educational or the experience requirements adopted by the State. Effective July 1, 2013, transitional credentials were no longer eligible for listing on the Appraiser Registry.

# National Registry Credentials

Yearly Appraiser Credential Trends



# Appendix D

## *Tools for Monitoring State Compliance with Title XI*

<b>Monitoring Tool</b>	<b>Description</b>	<b>Frequency</b>
Routine Compliance Reviews	Full on-site Reviews of State appraiser regulatory Programs.	Every 2 years or annually if ASC determines a State needs closer monitoring.
Follow-up Compliance Reviews	On-site Reviews focused on areas of noncompliance identified during routine Compliance Reviews.	6 to 12 months after previous Compliance Review.
Priority Contact Visits	On-site visits, usually to States with large populations of appraisers, to discuss potentially problematic emerging issues and maintain a close working relationship with the State agency.	As needed.
Off-site Monitoring	Telephone or e-mail contacts with State agencies regarding emerging compliance issues and progress in addressing previously identified issues.	Continuous.

# Appendix E

## *Appraiser Disciplinary Actions Reported by States<sup>21</sup>*

**January 1, 2006 through December 31, 2015**

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<sup>21</sup> Public disciplinary actions on the Appraiser Registry are those State actions currently in effect that affect an appraiser's ability to appraise: revocations, suspensions or voluntary surrenders in lieu of discipline. No disciplinary actions have been reported by Guam, Mariana Islands or Virgin Islands.

State or US Territory	Additional Education	Down-grade	Limited	Monetary Fine	Official Reprimand	Other	Probation	Revocation	Suspension	Voluntary Surrender	Warning, Corrective Action, and/ or Disciplinary Action	Total
Alabama	18	0	0	66	22	21	8	5	22	12	1	175
Alaska	6	0	0	8	1	2	6	1	0	4	5	33
Arizona	30	0	1	0	1	188	66	22	22	30	0	360
Arkansas	43	0	0	5	0	50	123	4	11	9	15	260
California	314	0	4	581	1	26	127	80	56	91	9	1289
Colorado	138	3	0	153	3	13	12	33	52	116	2	525
Connecticut	28	0	0	178	0	1	0	6	4	11	0	228
Delaware	12	0	0	15	26	1	10	6	15	0	0	85
District of Columbia	3	0	0	27	4	0	9	1	6	0	0	50
Florida	146	0	0	411	3	13	521	312	165	36	1	1608
Georgia	0	0	0	0	0	410	0	244	105	13	0	772
Hawaii	5	0	0	15	0	0	1	3	0	0	0	24
Idaho	99	0	0	141	3	53	50	6	15	9	2	378
Illinois	12	0	0	91	17	17	20	73	105	3	173	511
Indiana	19	0	0	13	77	337	181	113	104	15	3	862
Iowa	63	0	0	22	16	4	43	6	9	23	9	195
Kansas	78	0	0	30	0	0	60	16	4	10	8	206
Kentucky	93	2	0	108	1	20	1	2	37	14	3	281
Louisiana	8	0	0	24	10	0	0	2	7	0	7	58
Maine	57	0	0	83	56	4	10	25	18	3	22	278
Maryland	71	0	0	115	15	2	0	11	33	11	0	258
Massachusetts	11	0	0	338	365	1	176	28	16	58	8	1001
Michigan	137	0	0	330	0	2	3	87	21	6	0	586
Minnesota	29	0	0	290	23	8	0	74	27	0	61	512
Mississippi	59	0	0	0	2	3	26	5	3	3	0	101
Missouri	0	0	0	0	2	37	211	69	86	20	0	425
Montana	36	0	0	35	4	4	24	11	19	4	0	137
Nebraska	48	3	1	13	0	10	4	1	8	5	3	96
Nevada	111	2	0	56	0	5	9	26	13	37	0	259
New Hampshire	45	0	0	53	18	3	0	3	4	2	0	128
New Jersey	61	0	0	219	69	0	23	15	76	23	0	486
New Mexico	61	0	0	21	7	0	3	13	6	2	14	127
New York	104	0	0	289	3	5	0	119	116	0	60	696
North Carolina	132	1	3	3	37	0	0	9	129	43	3	360
North Dakota	6	0	0	6	2	1	6	1	5	2	0	29
Ohio	234	0	0	211	20	2	0	23	153	23	14	680
Oklahoma	43	4	1	256	5	8	30	33	282	20	24	706
Oregon	70	0	0	192	21	26	0	5	27	14	14	369
Pennsylvania	119	0	0	170	9	2	28	8	33	28	0	397
Puerto Rico	2	0	0	11	0	8	0	0	3	0	2	26
Rhode Island	14	0	0	23	4	2	0	3	2	0	2	50
South Carolina	74	0	0	88	90	0	37	9	9	17	0	324
South Dakota	47	0	0	52	37	2	0	2	7	5	1	153
Tennessee	152	5	0	173	8	5	22	16	51	17	22	471
Texas	381	0	0	193	20	103	152	88	74	79	8	1098
Utah	29	2	0	79	0	0	3	17	7	11	0	148
Vermont	3	0	0	3	0	1	0	2	4	3	12	28
Virginia	26	0	0	35	0	2	5	20	90	0	105	283
Washington	42	0	0	94	2	1	89	26	36	2	0	292
West Virginia	23	0	0	35	11	6	9	3	13	1	0	101
Wisconsin	215	0	59	114	154	8	6	16	104	49	0	725
Wyoming	10	0	0	8	0	5	6	1	0	3	0	33
Total	3567	22	69	5476	1169	1422	2120	1704	2214	887	613	19263

# Appendix F

## *Appraisal Complaint National Hotline*

**Review Period: January–December 2015**

In-Bound Source	Year End Totals	Referral Type	Description	Year End Totals
Call Center Calls	200	Complainant	Appraiser	86
Call Center Referrals	17		AMC	26
Email Referral	14		Bank, savings and loan, thrift, credit union, or other financial institution	13
Website Hits/Visits	4,723		Mortgage broker, lender, or loan originator	25
Federal Agency Referrals	82		Settlement services provider	0
State Agency Referrals	373		Other Totals	223
<b>Member Agency Referrals</b>			<i>Consumer*</i>	210
<b>Agency</b>	<b>Year End Totals</b>		<i>Real Estate Agent</i>	8
FRB	1		<i>Attorney</i>	0
OCC	8		<i>Insurance Agent</i>	0
FDIC	3	<i>Federal Entity</i>	4	
NCUA	9	<i>Blank/Undefined</i>	1	
CFPB	60	Complaint	USPAP	250
FTC	1		Appraisal Independence	123
FHFA	0	Complaint Against	Appraiser	290
			AMC	27
			Bank, savings and loan, thrift, credit union, or other financial institution	31
			Mortgage broker, lender, or loan originator	10
			Settlement services provider	1
			Other	14
		Property Type	1-4 Unit Residential	331
			Commercial	29
			No Property	13
		Federal Loan Type	FHA	52
			VA	12
			USDA	11
			None	0

\*“Consumer” consists of the following self-identified categories: Property Owner, Homeowner, Buyer, Borrower, Seller and Loan Applicant.



# Appendix G

## Agency Complaint Data

### Agency Complaint Data: January–December 2015

	Agency					TOTALS
	FDIC	FRB	NCUA	OCC	CFPB	
<b>Complainant</b>						
Appraiser	4	0	1	33	11	49
Appraisal Management Company	1	0	0	0	0	1
Business Property Owner	2	1	0	1	0	4
Financial Institution Lender	0	0	0	0	3	3
Individual Property Owner	18	8	8	45	1	80
Mortgage Broker	0	0	0	0	2	2
Non-Financial Institution Lender	0	0	0	0	2	2
Other	3	1	0	1	25	30
<b>Complaint Against</b>						
Appraiser	15	4	2	10	1	32
Appraisal Management Company	4	0	0	1	7	12
Lender	13	7	9	68	28	125
Other	8	0	0	1	10	19
<b>Complaint Type</b>						
Non-compliance with USPAP	16	4	0	0	0	20
Appraiser Independence	8	6	0	3	14	31
Other	43	0	9	79	48	179

# REFERENCE MATERIALS

*Statutory References*

*Policy Statements*

DRAFT

# Table of Contents

Statutory References .....	RX
Policy Statements .....	RXX

DRAFT

# Statutory References

## Unofficial ASC staff version of Title XI of FIRREA Real Estate Appraisal Reform [12 U.S.C. §§ 3331-3355] as amended by the Dodd-Frank Act

Full text of the Dodd-Frank Act at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf>

### § 1101. Purpose [12 U.S.C. § 3331]

The purpose of this title is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are 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.

### § 1102. Establishment of Appraisal Subcommittee of the Federal Financial Institutions Examination Council [12 U.S.C. § 3310]

The Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended by adding at the end thereof the following new section:

#### § 1011. Establishment of Appraisal Subcommittee

There shall be within the Council a subcommittee to be known as the Appraisal Subcommittee, which shall consist of the designees of the heads of the Federal financial institutions regulatory agencies, the Bureau of Consumer Financial Protection, and the Federal Housing Finance Agency. Each such designee shall be a person who has demonstrated knowledge and competence concerning the appraisal profession. At all times at least one member of the Appraisal Subcommittee shall have demonstrated knowledge and competence through licensure, certification, or professional designation within the appraisal profession.

### § 1103. Functions of Appraisal Subcommittee [12 U.S.C. § 3332]

(a) *In general.* The Appraisal Subcommittee shall—

(1) monitor the requirements established by States—

(A) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions, including a code of professional responsibility; and

(B) for the registration and supervision of the operations and activities of an appraisal management company;

(2) monitor the requirements established by the Federal financial institutions regulatory agencies [and the Resolution Trust Corporation] with respect to—

(A) appraisal standards for federally related transactions under their jurisdiction, and

(B) determinations as to which federally related transactions under their jurisdiction require the services of a State certified appraiser and which require the services of a State licensed appraiser;

(3) maintain a national registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions;

(4) [Omitted] terminated effective May 15, 2000, pursuant to § 3003 of Act Dec. 21, 1995, P.L. 104-66, which appears as 31 USCS § 1113 note (see also page 170 of House Document No. 103-7);

(5) transmit an annual report to the Congress not later than June 15 of each year that describes the manner in which each function assigned to the Appraisal Subcommittee has been carried out during the preceding year. The report shall also detail the activities

of the Appraisal Subcommittee, including the results of all audits of State appraiser regulatory agencies, and provide an accounting of disapproved actions and warnings taken in the previous year, including a description of the conditions causing the disapproval and actions taken to achieve compliance; and

- (6) maintain a national registry of appraisal management companies that either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a Federally regulated financial institution.

(b) *Monitoring and reviewing foundation.* The Appraisal Subcommittee shall monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.

**§ 1104. Chairperson of Appraisal Subcommittee; term of Chairperson; meetings**  
[12 U.S.C. § 3333]

(a) *Chairperson.* The Council shall select the Chairperson of the subcommittee. The term of the Chairperson shall be 2 years.

(b) *Meetings; quorum; voting.* The Appraisal Subcommittee shall meet in public session after notice in the Federal Register, but may close certain portions of these meetings related to personnel and review of preliminary State audit reports at the call of the Chairperson or a majority of its members when there is business to be conducted. A majority of members of the Appraisal Subcommittee shall constitute a quorum but 2 or more members may hold hearings. Decisions of the Appraisal Subcommittee shall be made by the vote of a majority of its members. The subject matter discussed in any closed or executive session shall be described in the Federal Register notice of the meeting.

**§ 1105. Officers and staff** [12 U.S.C. § 3334]

The Chairperson of the Appraisal Subcommittee shall appoint such officers and staff as may be necessary to carry out the functions of this title consistent with the appointment and compensation practices of the Council.

**§ 1106. Powers of Appraisal Subcommittee**  
[12 U.S.C. § 3335]

The Appraisal Subcommittee may, for the purpose of carrying out this title, establish advisory committees, hold hearings, prescribe regulations in accordance with chapter 5 of title 5, *United States Code* (commonly referred to as the Administrative Procedures Act) after notice and opportunity for comment, sit and act at times and places, take testimony, receive evidence, provide information, and perform research, as the Appraisal Subcommittee considers appropriate. Any regulations prescribed by the Appraisal Subcommittee shall (unless otherwise provided in this title) be limited to the following functions: temporary practice, national registry, information sharing, and enforcement. For purposes of prescribing regulations, the Appraisal Subcommittee shall establish an advisory committee of industry participants, including appraisers, lenders, consumer advocates, real estate agents, and government agencies, and hold meetings as necessary to support the development of regulations.

**§ 1107. Procedures for establishing appraisal standards and requiring the use of certified and licensed appraisers**  
[12 U.S.C. § 3336]

Appraisal standards and requirements for using State certified and licensed appraisers in federally related transactions pursuant to this title shall be prescribed in accordance with procedures set forth in section 553 of title 5, *United States Code*, including the publication of notice and receipt of written comments or the holding of public hearings with respect to any standards or requirements proposed to be established.

**§ 1108. Startup funding** [12 U.S.C. § 3337]

(a) *In general.* For purposes of this title, the Secretary of the Treasury shall pay to the Appraisal Subcommittee a one-time payment of \$ 5,000,000 on the date of the enactment of this Act [enacted Aug. 9, 1989]. Thereafter, expenses of the subcommittee shall be funded through the collection of registry fees from certain certified and licensed appraisers pursuant to section 1109 [12 USCS § 3338] or, if required, pursuant to section 1122(b) of this title [12 USCS § 3351(b)].

(b) *Additional funds.* Except as provided in section 1122(c) of this title [12 USCS § 3351(b)], funds in addition to the funds provided under subsection (a) may be made available to the Appraisal Subcommittee only if authorized and appropriated by law.

(c) *Repayment of Treasury loan.* Not later than September 30, 1998, the Appraisal Subcommittee shall repay to the Secretary of the Treasury the unpaid portion of the \$5,000,000 paid to the Appraisal Subcommittee pursuant to this section.

**§ 1109. Roster of State certified or licensed appraisers; authority to collect and transmit fees**  
**[12 U.S.C. § 3338]**

(a) *In general.* Each State with an appraiser certifying and licensing agency whose certifications and licenses comply with this title, shall—

- (1) transmit to the Appraisal Subcommittee, no less than annually, a roster listing individuals who have received a State certification or license in accordance with this title;
- (2) transmit reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, license and certification revocations, and license and certification suspensions on a timely basis to the national registry of the Appraisal Subcommittee;
- (3) transmit reports on a timely basis of supervisory activities involving appraisal management companies or other third-party providers of appraisals and appraisal management services, including investigations initiated and disciplinary actions taken; and
- (4) collect—
  - (A) from such individuals who perform or seek to perform appraisals in federally related transactions, an annual registry fee of not more than \$40, such fees to be transmitted by the State agencies to the Council on an annual basis; and
  - (B) from an appraisal management company that either has registered with a State appraiser certifying and licensing agency in accordance with this title or operates as a subsidiary of a federally regulated financial institution, an annual registry fee of—
    - (i) in the case of such a company that has been in existence for more than a year, \$25 multiplied by the number of appraisers working for or contract-

ing with such company in such State during the previous year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title; and

(ii) in the case of such a company that has not been in existence for more than a year, \$25 multiplied by an appropriate number to be determined by the Appraisal Subcommittee, and where such number will be used for determining the fee of all such companies that were not in existence for more than a year, but where such \$25 amount may be adjusted, up to a maximum of \$50, at the discretion of the Appraisal Subcommittee, if necessary to carry out the Subcommittee's functions under this title.

Subject to the approval of the Council, the Appraisal Subcommittee may adjust the dollar amount of registry fees under paragraph (4)(A), up to a maximum of \$80 per annum, as necessary to carry out its functions under this title. The Appraisal Subcommittee shall consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. In implementing any change in registry fees, the Appraisal Subcommittee shall provide flexibility to the States for multi-year certifications and licenses already in place, as well as a transition period to implement the changes in registry fees. In establishing the amount of the annual registry fee for an appraisal management company, the Appraisal Subcommittee shall have the discretion to impose a minimum annual registry fee for an appraisal management company to protect against the under reporting of the number of appraisers working for or contracted by the appraisal management company.

(b) *Use of amounts appropriated or collected.* Amounts appropriated for or collected by the Appraisal Subcommittee under this section shall be used—

- (1) to maintain a registry of individuals who are qualified and eligible to perform appraisals in connection with federally related transactions;
- (2) to support its activities under this title;
- (3) to reimburse the general fund of the Treasury for amounts appropriated to and expended by the Appraisal Subcommittee during the 24-month start-up period following the date of the enactment of this title [enacted Aug. 9, 1989];

- (4) to make grants in such amounts as it deems appropriate to the Appraisal Foundation, to help defray those costs of the foundation relating to the activities of its Appraisal Standards and Appraiser Qualification Boards;
- (5) to make grants to State appraiser certifying and licensing agencies, in accordance with policies to be developed by the Appraisal Subcommittee, to support the efforts of such agencies to comply with this title, 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; and
- (6) to report to all State appraiser certifying and licensing agencies when a license or certification is surrendered, revoked, or suspended.

**§ 1110. Functions of Federal financial institutions regulatory agencies relating to appraisal standards** [12 U.S.C. § 3339]

Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe appropriate standards for the performance of real estate appraisals in connection with federally related transactions under the jurisdiction of each such agency or instrumentality. These rules shall require, at a minimum—

- (1) that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation;
- (2) that such appraisals shall be written appraisals. Each such agency or instrumentality may require compliance with additional standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities; and
- (3) that such appraisals shall be subject to appropriate review for compliance with the Uniform Standards of Professional Appraisal Practice.

**§ 1111. Time for proposal and adoption of standards** [12 U.S.C. § 3340]

Appraisal standards established under this title shall be proposed not later than 6 months and shall be adopted in final form and become effective not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

**§ 1112. Functions of Federal financial institutions regulatory agencies relating to appraiser qualifications** [12 U.S.C. § 3341]

(a) In general. Each Federal financial institutions regulatory agency and the Resolution Trust Corporation shall prescribe, in accordance with sections 1113 and 1114 of this title [12 USCS §§ 3342, 3343], which categories of federally related transactions should be appraised by a State certified appraiser and which by a State licensed appraiser under this title.

(b) *Threshold level.* Each Federal financial institutions regulatory agency and the Resolution Trust Corporation may establish a threshold level at or below which a certified or licensed appraiser is not required to perform appraisals in connection with federally related transactions, if such agency determines in writing that such threshold level does not represent a threat to the safety and soundness of financial institutions and receives concurrence from the Bureau of Consumer Financial Protection that such threshold level provides reasonable protection for consumers who purchase 1–4 unit single-family residences.

(c) *GAO study of appraisals in connection with real estate related financial transactions below the threshold level.*

- (1) *GAO studies.* The Comptroller General of the United States may conduct, under such conditions as the Comptroller General determines appropriate, studies on the adequacy and quality of appraisals or evaluations conducted in connection with real estate related financial transactions below the threshold level established under subsection (b), taking into account—
  - (A) the cost to any financial institution involved in any such transaction;
  - (B) the possibility of losses to the Deposit Insurance Fund or the National Credit Union Share Insurance Fund;

(C) the cost to any customer involved in any such transaction; and

(D) the effect on low-income housing.

(2) *Reports to Congress and the appropriate Federal financial institutions regulatory agencies.* Upon completing each of the studies referred to in paragraph (1), the Comptroller General shall submit a report on the Comptroller General's findings and conclusions with respect to such study to the Federal financial institutions regulatory agencies, the Committee on Banking, Finance and Urban Affairs of the House of Representatives, and the Committee on Banking, Housing, and Urban Affairs of the Senate, together with such recommendations for legislative or administrative action as the Comptroller General determines to be appropriate.

**§ 1113. Transactions requiring the services of a State certified appraiser** [12 U.S.C. § 3342]

In determining whether an appraisal in connection with a federally related transaction shall be performed by a State certified appraiser, an agency or instrumentality under this title shall consider whether transactions, either individually or collectively, are of sufficient financial or public policy importance to the United States that an individual who performs an appraisal in connection with such transactions should be a State certified appraiser, except that—

- (1) a State certified appraiser shall be required for all federally related transactions having a value of \$1,000,000 or more; and
- (2) 1-to-4 unit, single family residential appraisals may be performed by State licensed appraisers unless the size and complexity requires a State certified appraiser, where a complex 1-to-4 unit single family residential appraisal means an appraisal for which the property to be appraised, the form of ownership, the property characteristics, or the market conditions are atypical.

**§ 1114. Transactions requiring the services of a State licensed appraiser** [12 U.S.C. § 3343]

All federally related transactions not requiring the services of a State certified appraiser shall be performed by either a State certified or licensed appraiser.

**§ 1115. Time for proposal and adoption of rules** [12 U.S.C. § 3344]

As appropriate, rules issued under sections 1113 and 1114 [12 USCS §§ 3342 and 3343] shall be proposed not later than 6 months and shall be effective upon adoption in final form not later than 12 months after the date of the enactment of this Act [enacted Aug. 9, 1989].

**§ 1116. Certification and licensing requirements** [12 U.S.C. § 3345]

(a) *In general.* For purposes of this title, the term “State certified real estate appraiser” means any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets the minimum criteria for certification issued by the Appraiser Qualification Board of the Appraisal Foundation.

(b) *Restriction.* No individual shall be a State certified real estate appraiser under this section unless such individual has achieved a passing grade upon a suitable examination administered by a State or territory that is consistent with and equivalent to the Uniform State Certification Examination issued or endorsed by the Appraiser Qualification Board of the Appraisal Foundation.

(c) *“State licensed appraiser” defined.* As used in this section, the term “State licensed appraiser” means an individual who has satisfied the requirements for State licensing in a State or territory whose criteria for the licensing of a real estate appraiser currently meet or exceed the minimum criteria issued by the Appraisal Qualifications Board of The Appraisal Foundation for the licensing of real estate appraisers.

(d) *Additional qualification criteria.* Nothing in this title shall be construed to prevent any Federal agency or instrumentality under this title from establishing such additional qualification criteria as may be necessary or appropriate to carry out the statutory responsibilities of such department, agency, or instrumentality.

(e) *Minimum Qualification Requirements.*— Any requirements established for individuals in the position of



‘Trainee Appraiser’ and ‘Supervisory Appraiser’ shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation. The Appraisal Subcommittee shall have the authority to enforce these requirements.

**§ 1117. Establishment of State appraiser certifying and licensing agencies** [12 U.S.C. § 3346]

To assure the availability of State certified and licensed appraisers for the performance in a State of appraisals in federally related transactions and to assure effective supervision of the activities of certified and licensed appraisers, a State may establish a State appraiser certifying and licensing agency. The duties of such agency may additionally include the registration and supervision of appraisal management companies and the addition of information about the appraisal management company to the national registry.

**§ 1118. Monitoring of State appraiser certifying and licensing agencies** [12 U.S.C. § 3347]

- (a) *In general.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purposes of determining whether such agency—
- (1) has policies, practices, funding, staffing, and procedures that are consistent with this title;
  - (2) processes complaints and completes investigations in a reasonable time period;
  - (3) appropriately disciplines sanctioned appraisers and appraisal management companies;
  - (4) maintains an effective regulatory program; and
  - (5) reports complaints and disciplinary actions on a timely basis to the national registries on appraisers and appraisal management companies maintained by the Appraisal Subcommittee.

The Appraisal Subcommittee shall have the authority to remove a State licensed or certified appraiser or a registered appraisal management company from a national registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration, and disciplinary proceedings. The Appraisal Subcommittee and all agencies, instrumentalities, and Federally recognized entities under this title shall not recognize appraiser certifications and licenses from States

whose appraisal policies, practices, funding, staffing, or procedures are found to be inconsistent with this title. The Appraisal Subcommittee shall have the authority to impose sanctions, as described in this section, against a State agency that fails to have an effective appraiser regulatory program. In determining whether such a program is effective, the Appraisal Subcommittee shall include an analysis of the licensing and certification of appraisers, the registration of appraisal management companies, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and appraisal management companies, the investigation of complaints, and enforcement actions against appraisers and appraisal management companies. The Appraisal Subcommittee shall have the authority to impose interim actions and suspensions against a State agency as an alternative to, or in advance of the derecognition of a State agency.

(b) *Disapproval by Appraisal Subcommittee.* The Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation shall accept certifications and licenses awarded by a State appraiser certifying the licensing agency unless the Appraisal Subcommittee issues a written finding that—

- (1) the State agency fails to recognize and enforce the standards, requirements, and procedures prescribed pursuant to this title;
- (2) the State agency is not granted authority or sufficient funding by the State which is adequate to permit the agency to carry out its functions under this title; or
- (3) decisions concerning appraisal standards, appraiser qualifications and supervision of appraiser practices are not made in a manner that carries out the purposes of this title.

(c) *Rejection of State certifications and licenses.*

- (1) *Opportunity to be heard or correct conditions.* Before refusing to recognize a State’s appraiser certifications or licenses, the Appraisal Subcommittee shall provide that State’s certifying and licensing agency a written notice of its intention not to recognize the State’s certified or licensed appraisers and ample opportunity to provide rebuttal information or to correct the conditions causing the refusal.

(2) *Adoption of procedures.* The Appraisal Subcommittee shall adopt written procedures for taking actions described in this section.

(3) *Judicial review.* A decision of the subcommittee under this section shall be subject to judicial review.

**§ 1119. Recognition of State certified and licensed appraisers for purposes of this title**  
[12 U.S.C. § 3348]

(a) *Effective date for use of certified or licensed appraisers only.*

(1) In general. Not later than December 31, 1992, all appraisals performed in connection with federally related transactions shall be performed only by individuals certified or licensed in accordance with the requirements of this title.

(2) Extension of effective date. Subject to the approval of the Council, the Appraisal Subcommittee may extend, until December 31, 1991, the effective date for the use of certified or licensed appraisers if it makes a written finding that a State has made substantial progress in establishing a State certification and licensing system that appears to conform to the provisions of this title.

(b) *Temporary waiver of appraiser certification or licensing requirements for State having scarcity of qualified appraisers.* Subject to the approval of the Council, the Appraisal Subcommittee may waive any requirement relating to certification or licensing of a person to perform appraisals under this title if the Appraisal Subcommittee or a State agency whose certifications and licenses are in compliance with this title, makes a written determination that there is a scarcity of certified or licensed appraisers to perform appraisals in connection with federally related transactions in a State, or in any geographical political subdivision of a State, leading to significant delays in the performance of such appraisals. The waiver terminates when the Appraisal Subcommittee determines that such significant delays have been eliminated.

(c) *Reports to State certifying and licensing agencies.* The Appraisal Subcommittee, any other Federal agency or instrumentality, or any federally recognized entity shall report any action of a State certified or licensed appraiser

that is contrary to the purposes of this title to the appropriate State agency for a disposition of the subject of the referral. The State agency shall provide the Appraisal Subcommittee or the other Federal agency or instrumentality with a report on its disposition of the matter referred. Subsequent to such disposition, the subcommittee or the agency or instrumentality may take such further action, pursuant to written procedures, it deems necessary to carry out the purposes of this title.

**§ 1120. Violations in obtaining and performing appraisals in federally related transactions**  
[12 U.S.C. § 3349]

(a) *Violations.* Except as authorized by the Appraisal Subcommittee in exercising its waiver authority pursuant to section 1119(b) [12 USCS § 3348(b)], it shall be a violation of this section—

(1) for a financial institution to seek, obtain, or give money or any other thing of value in exchange for the performance of an appraisal by a person who the institution knows is not a State certified or licensed appraiser in connection with a federally related transaction; and

(2) for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Resolution Trust Corporation to knowingly contract for the performance of any appraisal by a person who is not a State certified or licensed appraiser in connection with a real estate related financial transaction defined in section 1121(5) [12 USCS § 3350(5)] to which such association or corporation is a party.

(b) *Penalties.* A financial institution that violates subsection (a)(1) shall be subject to civil penalties under section 8(i)(2) of the Federal Deposit Insurance Act or section 206(k)(2) of the Federal Credit Union Act [12 USCS § 1818(i)(2) or 1786(k)(2)], as appropriate.

(c) *Proceeding.* A proceeding with respect to a violation of this section shall be an administrative proceeding which may be conducted by a Federal financial institutions regulatory agency in accordance with the procedures set forth in subchapter II of chapter 5 of title 5, United States Code [5 USCS §§ 551 et seq.].

**§ 1121. Definitions [12 U.S.C. § 3350]**

For purposes of this title:

(1) *State appraiser certifying and licensing agency.* The term “State appraiser certifying and licensing agency” means a State agency established in compliance with this title.

(2) *Appraisal Subcommittee; subcommittee.* The terms “Appraisal Subcommittee” and “subcommittee” mean the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(3) *Council.* The term “Council” means the Federal Financial Institutions Examination Council.

(4) *Federally related transaction.* The term “federally related transaction” means any real estate-related financial transaction which—

- (A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and
- (B) requires the services of an appraiser.

(5) *Real estate related financial transaction.* The term “real estate-related financial transaction” means 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.

(6) *Federal financial institutions regulatory agencies.* The term “Federal financial institutions regulatory agencies” means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the National Credit Union Administration.

(7) *Financial institution.* The term “financial institution” means an insured depository institution as defined in section 3 of the Federal Deposit Insurance Act [12 USCS § 1813] or an insured credit union as defined in section 101 of the Federal Credit Union Act [12 USCS § 1752].

(8) *Chairperson.* The term “Chairperson” means the Chairperson of the Appraisal Subcommittee selected by the Council.

(9) *Foundation.* The terms “Appraisal Foundation” and “Foundation” means [mean] the Appraisal Foundation established on November 30, 1987, as a not for profit corporation under the laws of Illinois.

(10) *Written appraisal.* The term “written appraisal” means a written statement used in connection with a federally related transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(11) *Appraisal Management Company.*—

The term ‘appraisal management company’ means, 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.

**§ 1122. Miscellaneous provisions [12 U.S.C. § 3351]**

(a) *Temporary practice.*

- (1) In general. A State appraiser certifying or licensing agency shall recognize on a temporary basis the certification or license of an appraiser issued by another State if—

- (A) the property to be appraised is part of a federally related transaction,
  - (B) the appraiser's business is of a temporary nature, and
  - (C) the appraiser registers with the appraiser certifying or licensing agency in the State of temporary practice.
- (2) *Fees for temporary practice.* A State appraiser certifying or licensing agency shall not impose excessive fees or burdensome requirements, as determined by the Appraisal Subcommittee, for temporary practice under this subsection.
- (b) *Reciprocity.* Notwithstanding any other provisions of this title, a federally related transaction shall not be appraised by a certified or licensed appraiser unless the State appraiser certifying or licensing agency of the State certifying or licensing such appraiser has in place a policy of issuing a reciprocal certification or license for an individual from another State when—
- (1) the appraiser licensing and certification program of such other State is in compliance with the provisions of this title; and
  - (2) the appraiser holds a valid certification from a State whose requirements for certification or licensing meet or exceed the licensure standards established by the State where an individual seeks appraisal licensure.
- (c) *Supplemental funding.* Funds available to the Federal financial institutions regulatory agencies may be made available to the Financial Institutions Examination Council to support the Council's functions under this title.
- (d) *Prohibition against discrimination.* Criteria established by the Federal financial institutions regulatory agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Resolution Trust Corporation for appraiser qualifications in addition to State certification or licensing may include education achieved, experience, sample appraisals, and references from prior clients. Membership in a nationally recognized professional appraisal organization may be a criteria considered, though lack of membership therein shall not be the sole bar against consideration for an assignment under these criteria.
- (e) *Other requirements.* A corporation, partnership, or other business entity may provide appraisal services in connection with federally related transactions if such appraisal is prepared by individuals certified or licensed in accordance with the requirements of this title. An individual who is not a State certified or licensed appraiser may assist in the preparation of an appraisal if—
- (1) the assistant is under the direct supervision of a licensed or certified individual; and
  - (2) the final appraisal document is approved and signed by an individual who is certified or licensed.
- (f) *Studies.*
- (1) *Study.* The Appraisal Subcommittee shall—
    - (A) conduct a study to determine whether real estate sales and financing information and data that is available to real estate appraisers in the States is sufficient to permit appraisers to properly estimate the values of properties in connection with federally related transactions; and
    - (B) study the feasibility and desirability of extending the provisions of this title to the function of personal property appraising and to personal property appraisers in connection with Federal financial and public policy interests.
  - (2) *Report.* The Appraisal Subcommittee shall— (A) report its findings to the Congress with respect to the study described in paragraph (1)(A) no later than 12 months after the date of the enactment of this title [enacted Aug. 9, 1989], and (B) report its findings with respect to the study described in paragraph (1)(B) to Congress not later than 18 months after the date of the enactment of this title [enacted Aug. 9, 1989].
- (g) *Appraiser Independence Monitoring.*—The Appraisal Subcommittee shall monitor each State appraiser certifying and licensing agency for the purpose of determining whether such agency's policies, practices, and procedures are consistent with the purposes of maintaining appraiser independence and whether such State has adopted and maintains effective laws, regulations, and policies aimed at maintaining appraiser independence.
- (h) *Approved Education.*—The Appraisal Subcommittee shall encourage the States to accept courses approved by the Appraiser Qualification Board's Course Approval Program.

(i) *Appraisal Complaint National Hotline.*—If, 6 months after the date of the enactment of this subsection, the Appraisal Subcommittee determines that no national hotline exists to receive complaints of non-compliance with appraisal independence standards and Uniform Standards of Professional Appraisal Practice, including complaints from appraisers, individuals, or other entities concerning the improper influencing or attempted improper influencing of appraisers or the appraisal process, the Appraisal Subcommittee shall establish and operate such a national hotline, which shall include a toll-free telephone number and an email address. If the Appraisal Subcommittee operates such a national hotline, the Appraisal Subcommittee shall refer complaints for further action to appropriate governmental bodies, including a State appraiser certifying and licensing agency, a financial institution regulator, or other appropriate legal authorities. For complaints referred to State appraiser certifying and licensing agencies or to Federal regulators, the Appraisal Subcommittee shall have the authority to follow up such complaint referrals in order to determine the status of the resolution of the complaint.

**§ 1123. Emergency exceptions for disaster areas**  
[12 U.S.C. § 3352]

(a) *In general.* Each Federal financial institutions regulatory agency may, by regulation or order, make exceptions to this title, and to standards prescribed pursuant to this title, for transactions involving institutions for which the agency is the primary Federal regulator with respect to real property located within a disaster area if the agency—

- (1) makes the exception not later than 30 months after the date on which the President determines, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], that a major disaster exists in the area; and
- (2) determines that the exception—
  - (A) would facilitate recovery from the major disaster; and
  - (B) is consistent with safety and soundness.

(b) *3-year limit on exceptions.* Any exception made under this section shall expire not later than 3 years after the date of the determination referred to in subsection (a)(1).

(c) *Publication required.* Any Federal financial institutions regulatory agency shall publish in the Federal Register a statement that—

- (1) describes any exception made under this section; and
- (2) explains how the exception—
  - (A) would facilitate recovery from the major disaster; and
  - (B) is consistent with safety and soundness.

(d) *“Disaster area” defined.* For purposes of this section, the term “disaster area” means an area in which the President, pursuant to section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act [42 USCS § 5170], has determined that a major disaster exists.

**§ 1124. Appraisal Management Company**  
**Minimum Requirements** [12 U.S.C. § 3353]

(a) *In General.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly, by rule, establish minimum requirements to be applied by a State in the registration of appraisal management companies. Such requirements shall include a requirement that such companies—

- (1) register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which such company operates;
- (2) verify that only licensed or certified appraisers are used for federally related transactions;
- (3) require that appraisals coordinated by an appraisal management company comply with the Uniform Standards of Professional Appraisal Practice; and
- (4) require that appraisals are conducted independently and free from inappropriate influence and coercion pursuant to the appraisal independence standards established under section 129E of the Truth in Lending Act.

(b) *Relation to State Law.*—Nothing in this section shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection (a).

(c) *Federally Regulated Financial Institutions.*—The requirements of subsection (a) shall apply to an appraisal management company that is a subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency. An

appraisal management company that is a subsidiary owned and controlled by a financial institution regulated by a Federal financial institution regulatory agency shall not be required to register with a State.

(d) *Registration Limitations.*—An appraisal management company shall not be registered by a State or included on the national registry if such company, 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. Additionally, each person that owns more than 10 percent of an appraisal management company shall be of good moral character, as determined by the State appraiser certifying and licensing agency, and shall submit to a background investigation carried out by the State appraiser certifying and licensing agency.

(e) *Reporting.*—The Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection shall jointly promulgate regulations for the reporting of the activities of appraisal management companies to the Appraisal Subcommittee in determining the payment of the annual registry fee.

(f) *Effective Date.*—

(1) *In General.*—No appraisal management company may perform services related to a federally related transaction in a State after the date that is 36 months after the date on which the regulations required to be prescribed under subsection (a) are prescribed in final form unless such company is registered with such State or subject to oversight by a Federal financial institutions regulatory agency.

(2) *Extension of Effective Date.*—Subject to the approval of the Council, the Appraisal Subcommittee may extend by an additional 12 months the requirements for the registration and supervision of appraisal management companies if it makes a written finding that a State has made substantial progress in establishing a State appraisal management company registration and supervision system that appears to conform with the provisions of this title.

## **§ 1125. Automated Valuation Models Used to Estimate Collateral Value for Mortgage Lending Purposes** [12 U.S.C. § 3354]

(a) *In general.*—Automated valuation models shall adhere to quality control standards designed to—

- (1) ensure a high level of confidence in the estimates produced by automated valuation models;
- (2) protect against the manipulation of data;
- (3) seek to avoid conflicts of interest;
- (4) require random sample testing and reviews; and
- (5) account for any other such factor that the agencies listed in subsection (b) determine to be appropriate.

(b) *Adoption of Regulations.*—The Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, the Federal Housing Finance Agency, and the Bureau of Consumer Financial Protection, in consultation with the staff of the Appraisal Subcommittee and the Appraisal Standards Board of the Appraisal Foundation, shall promulgate regulations to implement the quality control standards required under this section.

(c) *Enforcement.*—Compliance with regulations issued under this subsection shall be enforced by—

- (1) with respect to a financial institution, or subsidiary owned and controlled by a financial institution and regulated by a Federal financial institution regulatory agency, the Federal financial institution regulatory agency that acts as the primary Federal supervisor of such financial institution or subsidiary; and
- (2) with respect to other participants in the market for appraisals of 1-to-4 unit single family residential real estate, the Federal Trade Commission, the Bureau of Consumer Financial Protection, and a State attorney general.

(d) *Automated Valuation Model Defined.*—For purposes of this section, the term ‘automated valuation model’ means any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a consumer’s principal dwelling.

**§ 1126. Broker Price Opinions**  
**[12 U.S.C. § 3355]**

(a) *General Prohibition.*—In conjunction with the purchase of a consumer’s principal dwelling, broker price opinions may not be used as the primary basis to determine the value of a piece of property for the purpose of a loan origination of a residential mortgage loan secured by such piece of property.

(b) *Broker Price Opinion Defined.*—For purposes of this section, the term ‘broker price opinion’ means an estimate prepared by a real estate broker, agent, or sales person that details the probable selling price of a particular piece of real estate property and provides a varying level of detail about the property’s condition, market, and neighborhood, and information on comparable sales, but does not include an automated valuation model, as defined in section 1125(c).

**Department of Housing and Urban  
Development Reform Act of 1989**  
**§ 142 FHA Operations [12 U.S.C. § 1708(e)]**

(e) Appraisal standards.

(1) The Secretary shall prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with uniform standards, by individuals who have demonstrated competence and whose professional conduct is subject to effective supervision. These standards shall require at a minimum—

(A) that the appraisals of properties to be insured by the Federal Housing Administration shall be performed in accordance with generally accepted appraisal standards promulgated by the Appraisal Foundation a not-for-profit corporation established on November 30, 1987 under the laws of Illinois; and

(B) that each appraisal is a written statement used in connection with a real estate transaction that is independently and impartially prepared by a licensed or certified appraiser setting forth an opinion of defined value of an adequately described property as of a specific date, supported by presentation and analysis of relevant market information.

(2) The Appraisal Subcommittee of the Federal Financial Institutions Examination Council shall include the Secretary or his designee.

# Policy Statements

## Requirements and Guidance to State Appraiser Regulatory Programs for Compliance with Title XI

### Contents

Introduction and Purpose . . . . .	R18	POLICY STATEMENT 5	
POLICY STATEMENT 1		Reciprocity . . . . .	R31
Statutes, Regulations, Policies and Procedures		A. Reciprocity Policy . . . . .	R31
Governing State Programs . . . . .	R19	B. Application of Reciprocity Policy . . . . .	R31
A. State Regulatory Structure . . . . .	R19	C. Appraiser Compliance Requirements . . . . .	R32
B. Funding and Staffing . . . . .	R19	D. Summary of Requirements . . . . .	R32
C. Minimum Criteria . . . . .	R19	POLICY STATEMENT 6	
D. Federally Recognized Appraiser Classifications . . . . .	R19	Education . . . . .	R33
E. Non-federally Recognized Credentials . . . . .	R20	A. Course Approval . . . . .	R33
F. Appraisal Standards . . . . .	R20	B. Distance Education . . . . .	R33
H. Exemptions . . . . .	R21	C. Summary of Requirements . . . . .	R33
I. ASC Staff Attendance at State Board Meetings . . . . .	R21	POLICY STATEMENT 7	
J. Summary of Requirements . . . . .	R21	State Agency Enforcement . . . . .	R34
POLICY STATEMENT 2		A. State Agency Regulatory Program . . . . .	R34
Temporary Practice . . . . .	R22	B. Enforcement Process . . . . .	R34
A. Requirement for Temporary Practice . . . . .	R22	C. Summary of Requirements . . . . .	R35
B. Excessive Fees or Burdensome Requirements . . . . .	R22	POLICY STATEMENT 8	
C. Summary of Requirements . . . . .	R23	Interim Sanctions . . . . .	R36
POLICY STATEMENT 3		A. Authority . . . . .	R36
National Registry . . . . .	R24	B. Opportunity to be Heard or Correct Conditions . . . . .	R36
A. Requirements for the National Registry . . . . .	R24	C. Procedures . . . . .	R36
B. Registry Fee and Invoicing Policies . . . . .	R24	Appendix A—Compliance Review Process . . . . .	R38
C. Access to National Registry Data . . . . .	R25	Appendix B—Glossary of Terms . . . . .	R40
D. Information Sharing . . . . .	R25		
E. Summary of Requirements . . . . .	R26		
POLICY STATEMENT 4			
Application Process . . . . .	R27		
A. Processing of Applications . . . . .	R27		
B. Qualifying Education for Initial or Upgrade Applications . . . . .	R27		
C. Continuing Education for Reinstatement and Renewal Applications . . . . .	R27		
D. Experience for Initial or Upgrade Applications . . . . .	R28		
E. Examination . . . . .	R29		
F. Summary of Requirements . . . . .	R29		



## 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).<sup>32</sup> 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 States<sup>33</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.<sup>34</sup> The ASC performs periodic Compliance Reviews<sup>35</sup> 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).

Pursuant to authority granted to the ASC under Title XI, the ASC is issuing these Policy Statements<sup>36</sup> to provide States with the necessary information to maintain their Programs in compliance with Title XI. Policy Statements 1 through 7 correspond with the categories that are evaluated during the Compliance Review process and included in the ASC Compliance Review Report (Report). Policy Statement 8 entitled *Interim Sanctions* sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC.

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<sup>32</sup> 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, 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.

<sup>33</sup> See Appendix B, Glossary of Terms, for the definition of "State."

<sup>34</sup> See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

<sup>35</sup> See Appendix A, Compliance Review Process.

<sup>36</sup> These Policy Statements, adopted April 10, 2013, supersede all previous Policy Statements adopted by the ASC, the most recent version of which was issued in October 2008.

# POLICY STATEMENT 1

## Statutes, Regulations, Policies and Procedures Governing State 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 agency has in place policies, practices and procedures consistent with the requirements of Title XI.<sup>37</sup> The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Program. Therefore, a State has flexibility to structure its 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 board<sup>38</sup> 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, 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 that a

State must provide its 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 a 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, requirements established by a State for licensed appraisers, as well as for trainee and supervisory appraisers, must also meet or exceed the AQB Criteria, as required by the Dodd-Frank Act.

### D. Federally Recognized Appraiser Classifications

#### 1. 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.

#### 2. 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.

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<sup>37</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>38</sup> See Appendix B, *Glossary of Terms*, for the definition of "State board."

### **3. Trainee Appraiser and Supervisory Appraiser**

As of July 1, 2013, any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” and “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 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 designations<sup>39</sup> 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 USPAP.<sup>40</sup> States that have incorporated USPAP into State

law should ensure that statutes or regulations are updated timely to adopt the latest version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP. 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.

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<sup>39</sup> See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

<sup>40</sup> See Appendix B, *Glossary of Terms* for the definition of “Uniform Standards of Professional Appraisal Practice.”

## H. 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.<sup>41</sup> 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.

## I. ASC Staff Attendance at State Board Meetings

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.

## J. Summary of Requirements

1. States must require that appraisals be performed in accordance with the latest version of USPAP.<sup>42</sup>
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.<sup>43</sup>

3. States must have policies, practices and procedures consistent with Title XI.<sup>44</sup>
4. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>45</sup>
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.<sup>46</sup>
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.<sup>47</sup>
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.<sup>48</sup>
8. State agencies must be granted adequate authority by the State to maintain an effective regulatory Program in compliance with Title XI.<sup>49</sup>

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<sup>41</sup> Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

<sup>42</sup> Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>43</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>44</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>45</sup> *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

<sup>46</sup> 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*.

<sup>47</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>48</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

<sup>49</sup> 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 assignment<sup>50</sup> for a federally related transaction. 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 not “burdensome” as determined by the ASC or involve excessive fees. Thus, a credentialed appraiser<sup>51</sup> 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 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.<sup>52</sup> Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

1. 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 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 agency<sup>53</sup> in the case of disciplinary action concerning a temporary practitioner; and
- f. allow at least one temporary practice permit extension through a streamlined process.

2. 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;
  - b. limit an appraiser to one temporary practice permit per calendar year;<sup>54</sup>
  - c. charge a temporary practice permit fee exceeding \$250, including one extension fee;
  - d. impose State appraiser qualification requirements 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.

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<sup>50</sup> See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

<sup>51</sup> See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

<sup>52</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

<sup>53</sup> See Appendix B, *Glossary of Terms*, for the definition of “home State agency.”

<sup>54</sup> 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.

3. 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 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.

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.<sup>56</sup>

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<sup>55</sup> Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

<sup>56</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

### 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.<sup>55</sup>

## POLICY STATEMENT 3

### National Registry

#### A. Requirements for the National Registry

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.<sup>57</sup> 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 ASC<sup>58</sup> 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 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 Registry are eligible to perform appraisals in connection with federally related transactions.

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 Program 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 in connection with non-federally related transactions.<sup>59</sup> The 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 Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the National 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 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.<sup>60</sup> The ASC strongly encourages the States to utilize the extranet application as a more secure method of submitting information to the National 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.

#### 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 National 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 National

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<sup>57</sup> Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

<sup>58</sup> 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.)

<sup>59</sup> See Appendix B, *Glossary of Terms*, for the definition of "non-federally related transactions."

<sup>60</sup> See section D, *Information Sharing*, below requiring all States to report disciplinary action via the extranet application by July 1, 2013.

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

### **C. Access to National Registry Data**

The ASC website provides free access to the public portion of the National Registry at [www.asc.gov](http://www.asc.gov). The public portion of the National 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 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 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 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 must report as soon as practicable any disciplinary action<sup>61</sup> 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. States not reporting via the extranet application will be required to provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. 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 be changed on the National 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.

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.

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<sup>61</sup> See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."



## E. Summary of Requirements

1. States must reconcile and pay National Registry invoices in a timely manner.<sup>62</sup>
2. States must submit all disciplinary actions to the ASC for inclusion on the National Registry.<sup>63</sup>
3. As of July 1, 2013, all States will be required to report disciplinary action via the extranet application as soon as practicable.<sup>64</sup>
4. 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.<sup>65</sup> (States should ensure that the authorization information provided to the ASC is kept current.)
5. States using the ASC extranet application must implement written policies to ensure that all personnel with access to the National Registry protect the right of access and not share the User Name or Password with anyone.<sup>66</sup>
6. States must ensure the accuracy of all data submitted to the National Registry.<sup>67</sup>
7. States must submit appraiser data 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.<sup>68</sup>
8. 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.<sup>69</sup>
9. 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.<sup>70</sup>

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<sup>62</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>66</sup> *Id.*

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> *Id.*

<sup>70</sup> *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. 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.<sup>71</sup>

#### **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 days). Any delay in the processing of applications should be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain expired examinations as established by AQB Criteria.

#### **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 from applicants for any federally recognized credential.<sup>72</sup> 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.

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. 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:

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<sup>71</sup> Includes applications for credentialing of State licensed, certified residential or certified general classifications, and trainee and supervisor classifications.

<sup>72</sup> 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.

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 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;
2. States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure;
3. The State 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, 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 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 more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action<sup>73</sup> 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.

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 certification. Effective July 1, 2013, States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.<sup>74</sup>

### **1. Validation Required**

States must implement a reliable validation procedure to verify that each applicant’s:

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

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<sup>73</sup> For example:

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

<sup>74</sup> See Appendix B, Glossary of Terms, for the definition of “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

Program staff or State board members must select the work product to be analyzed for USPAP compliance; 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.

### 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.<sup>75</sup>
2. States must ensure appraiser credential applications submitted for processing do not contain expired examinations as established by AQB Criteria.<sup>76</sup>

### 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.<sup>77</sup>
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.<sup>78</sup>
3. States must maintain adequate documentation to support verification.<sup>79</sup>
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.<sup>80</sup>
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.<sup>81</sup>

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<sup>75</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>76</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.<sup>82</sup>
7. Audits of affidavits for continuing education credit claimed must be completed within sixty days from the date the renewed credential is issued.<sup>83</sup>
8. 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.<sup>84</sup>
9. States must require the 7-hour National USPAP Update Course for renewals consistent with AQB Criteria.<sup>85</sup>
10. States must take appropriate action to suspend an 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 after taking such action in order for the appraiser's record on the National Registry to be updated appropriately.<sup>86</sup>

#### *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.<sup>87</sup>
2. States must ensure that appraiser experience logs conform to AQB Criteria.<sup>88</sup>
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.<sup>89</sup>

4. States must select the work product to be analyzed for USPAP compliance on all initial or upgrade applications for appraiser credentialing.<sup>90</sup>
5. States must analyze a representative sample of the applicant's work product on all initial or upgrade applications for appraiser credentialing.<sup>91</sup>
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial applications for appraiser credentialing.<sup>92</sup>
7. Persons analyzing work product for USPAP compliance must have sufficient knowledge to make that determination.<sup>93</sup>

#### *Examination*

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.<sup>94</sup>

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

<sup>83</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>84</sup> *Id.*

<sup>85</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>86</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>87</sup> *Id.*

<sup>88</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>89</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>90</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

<sup>93</sup> *Id.*

<sup>94</sup> 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 Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.<sup>95</sup> 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) meet or exceed those of the reciprocal credentialing State (Reciprocal State) (as they exist at the time of application for reciprocal credential).

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 issuance of reciprocal credentials.<sup>96</sup>

For purposes of implementing the reciprocity policy,

States with an ASC Finding<sup>97</sup> 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).

**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.

#### 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.

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<sup>95</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>96</sup> Effective July 1, 2013, States will be evaluated for compliance with this Title XI requirement.

<sup>97</sup> See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

### **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.<sup>98</sup>

### **D. Summary of Requirements**

- 1.** Effective July 1, 2013, in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State 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.<sup>99</sup>
- 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.<sup>100</sup>

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<sup>98</sup> 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.

<sup>99</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>100</sup> *Id.*

## 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 should ensure that educational providers are afforded equal treatment in all respects.<sup>101</sup>

The ASC encourages States 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 delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery.

#### C. Summary of Requirements

1. States must ensure that appraiser education courses are consistent with AQB Criteria.<sup>102</sup>
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.<sup>103</sup>
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider has been approved by an AQB-approved organization providing approval of course design and delivery.<sup>104</sup>

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<sup>101</sup> 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.

<sup>102</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>103</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>104</sup> 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.<sup>105</sup>

#### B. Enforcement Process

States must ensure that the system for processing and investigating complaints<sup>106</sup> 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 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 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 on a State’s statute of limitations 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.<sup>107</sup>

##### 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

“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.

###### a. Complaint Files

Complaint files must:

- include documentation outlining the progress of the investigation;

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<sup>105</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>106</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

<sup>107</sup> Title XI § 1117, 12 U.S.C. § 3346.

- demonstrate that appraisal reports are analyzed and all USPAP violations are identified;
- 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, bank regulator, appraiser, hotline)
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)

## 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.<sup>108</sup>
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.<sup>109</sup>
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.<sup>110</sup>
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.<sup>111</sup>
5. States must appropriately document enforcement files and include rationale.<sup>112</sup>
6. States must regulate, supervise and discipline their credentialed appraisers.<sup>113</sup>
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must document how such persons are so qualified.<sup>114</sup>

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<sup>108</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

## POLICY STATEMENT 8

### 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 that fail to have an effective Program as an alternative to or in advance of a non-recognition proceeding. In determining whether a Program is effective the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Report issued to a State at the conclusion of an ASC Compliance Review will trigger an analysis by the ASC for potential interim sanction(s).<sup>115</sup> 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*.

#### 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 issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers, the investigation of complaints, and enforcement actions against appraisers.<sup>116</sup> 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 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 Meeting<sup>117</sup> 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

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<sup>115</sup> 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.

<sup>116</sup> *Id.*

<sup>117</sup> 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.

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.

(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.<sup>118</sup>

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<sup>118</sup> 5 U.S.C. § 703—*Form and venue of proceeding.*

## APPENDIX A

### Compliance Review Process

The ASC monitors State 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 seven compliance areas addressed in Policy Statements 1 through 7. 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 detailing preliminary findings. The State is given 60 days to respond to the ASC staff report. At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State with the ASC Finding on the 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"<sup>119</sup> 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 regula-

tory Program in compliance with Title XI. 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 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.

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<sup>119</sup> See Appendix B, *Glossary of Terms*, for the definition of "Areas of Concern."

ASC Finding	Rating Criteria	Review Cycle*
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	2-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	2-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	2-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	1-year
Poor <sup>120</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

\*Program history or nature of deficiency may warrant a more accelerated Review Cycle.

<sup>120</sup> An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 8, *Interim Sanctions*.

## APPENDIX B

### Glossary of Terms

**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, appraiser applicant, or for allegations of unlicensed appraisal activity. 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
- b. suspension of credential
- 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
- 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 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.

**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.)

**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, 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.

DRAFT



## **FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL**

[Docket No. AS16-05]

### **Appraisal Subcommittee; Notice of Proposed Rulemaking to Implement Collection and Transmission of Annual AMC Registry Fees**

**AGENCY:** Appraisal Subcommittee of the Federal Financial Institutions Examination Council

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC) is proposing a rule pursuant to authority granted in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>1</sup> to implement collection and transmission of appraisal management company (AMC) annual registry fees by State appraiser certifying and licensing agencies<sup>2</sup> that elect to register and supervise AMCs, pursuant to 12 U.S.C. 3353 and the regulations promulgated thereunder. The ASC requests comment on all aspects of this Notice.

**DATES:** Comments must be received on or before **[60 DAYS FROM DATE OF PUBLICATION in the FEDERAL REGISTER]**.

**ADDRESSES:** Commenters are encouraged to submit comments by the Federal eRulemaking Portal or email, if possible. You may submit comments, identified by AS16-05 by any of the following methods:

- *Federal eRulemaking Portal:* <https://www.regulations.gov>. Follow the instructions for submitting comments. Click on the “Help” tab on the Regulations.gov home page to get

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<sup>1</sup> Public Law 111-203, 124 Stat. 1376.

<sup>2</sup> As of January, 2016, the 50 States, the District of Columbia, and four Territories, which are the Commonwealth of Puerto Rico, Commonwealth of the Northern Mariana Islands, Guam, and United States Virgin Islands, had State appraiser certifying and licensing agencies.

information on using Regulations.gov, including instructions for submitting public comments.

- *E-Mail:* [webmaster@asc.gov](mailto:webmaster@asc.gov). Include the docket number in the subject line of the message.
- *Fax:* (202) 289-4101. Include docket number on fax cover sheet.
- *Mail:* Address to Appraisal Subcommittee, Attn: Lori Schuster, Management and Program Analyst, 1401 H Street NW, Suite 760, Washington, DC 20005.
- *Hand Delivery/Courier:* 1401 H Street NW, Suite 760, Washington, DC 20005.

In general, the ASC will enter all comments received into the docket and publish those comments on the Regulations.gov website without change, including any business or personal information that you provide, such as name and address information, email addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure. At the close of the comment period, all public comments will also be made available on the ASC's website at <https://www.asc.gov> (follow link in "What's New") as submitted, unless modified for technical reasons.

You may review comments and other related materials that pertain to this rulemaking action by any of the following methods:

- Viewing Comments Electronically: Go to <https://www.regulations.gov>. Enter “Docket ID AS16-05” in the Search box and click “Search.” Click on the “Help” tab on the Regulations.gov home page to get information on using Regulations.gov, including instructions for viewing public comments, viewing other supporting and related materials, and viewing the docket after the close of the comment period.
- Viewing Comments Personally: You may personally inspect comments at the ASC office, 1401 H Street NW, Suite 760, Washington, DC 20005. To make an appointment, please call Lori Schuster at (202) 595-7578.

**FOR FURTHER INFORMATION CONTACT:**

James R. Park, Executive Director, at (202) 595-7575, or Alice M. Ritter, General Counsel, at (202) 595-7577, Appraisal Subcommittee, 1401 H Street NW, Suite 760, Washington, DC 20005.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended (Title XI),<sup>3</sup> established the ASC.<sup>4</sup> Title XI’s purpose is to “provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are

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<sup>3</sup> Public Law 101-73, 103 Stat. 183; 12 U.S.C. 3331-3355.

<sup>4</sup> The ASC Board is comprised of seven members. Five members are designated by the heads of the FFIEC agencies Board of Governors of the Federal Reserve System (Board), Consumer Financial Protection Bureau (CFPB), Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and National Credit Union Administration (NCUA)). The other two members are designated by the heads of the Department of Housing and Urban Development (HUD) and the Federal Housing Finance Agency (FHFA).

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.”<sup>5</sup>

On July 21, 2010, the Dodd-Frank Act was signed into law. Section 1473 of the Dodd-Frank Act included amendments to Title XI. Section 1117 of Title XI, *Establishment of State appraiser certifying and licensing agencies*, was amended by the Dodd-Frank Act to:

(1) authorize States, if they so choose, to register and supervise AMCs; and (2) allow States to add information about AMCs in their State to the National Registry of AMCs (AMC Registry). States electing to register and supervise AMCs under Section 1117 must implement minimum requirements in accordance with the AMC Rule.<sup>6</sup>

Title XI as amended by the Dodd-Frank Act imposes a statutory restriction that applies 36 months from the effective date of the AMC Rule (Implementation Period).<sup>7</sup> In summary, beginning 36 months from the effective date of the AMC Rule, an AMC, as defined by Title XI, may not provide services for a Federally related transaction in a State unless the AMC is registered with a State that has established a registration and supervision program under Section 1117, or is subject to oversight by a Federal financial institutions regulatory agency.

Section 1103 of Title XI, *Functions of Appraisal Subcommittee*, was amended by the Dodd-Frank Act to require the ASC to maintain the AMC Registry of AMCs that are either:

(1) registered with and subject to supervision by a State that has elected to register and supervise AMCs; or (2) supervised by a Federal financial institutions regulator (Federally regulated

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<sup>5</sup> Title XI § 1101, 12 U.S.C. § 3331.

<sup>6</sup> The Dodd-Frank Act added section 1124 to Title XI, *Appraisal Management Company Minimum Requirements*, which required the OCC, Board, FDIC, NCUA, CFPB, and FHFA to establish, by rule, minimum requirements for the registration and supervision of AMCs by States that elect to register and supervise AMCs pursuant to Title XI and the rules promulgated thereunder. The Agencies issued a final rule (AMC Rule) with an effective date of August 10, 2015. (80 *Federal Register* 32658, June 9, 2015).

<sup>7</sup> 12 U.S.C. 3353(f)(1).

AMCs). It is anticipated that on or before the effective date of this rule, the ASC will issue an ASC Bulletin to States that will address:

1. When the AMC Registry will be open for States; and
2. Reporting requirements (information required to be submitted by States in order to register AMCs on the AMC Registry).

Only those companies that meet the Federal definition of AMC will be eligible to be on the AMC Registry.<sup>8</sup>

Section 1109 of Title XI, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, was amended by the Dodd-Frank Act to require States that elect to register and supervise AMCs to collect: (1) from AMCs that have been in existence for more than a year an annual registry fee of \$25 multiplied by the number of appraisers working for or contracting with such AMC in such State during the previous year; and (2) from AMCs that have not been in existence for more than a year, \$25 multiplied by an appropriate number to be determined by the ASC.<sup>9</sup> The \$25 may be adjusted, up to a maximum of \$50, at the discretion of the ASC, if necessary to carry out the ASC's Title XI functions.<sup>10</sup>

This proposed rule would set the annual AMC registry fee that States would collect and transmit to the ASC if they elect to register and supervise AMCs. This proposed rule sets forth

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<sup>8</sup> 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.

<sup>9</sup> 12 U.S.C. 3338(a)(4)(B).

<sup>10</sup> *Id.*

the ASC’s interpretation of the phrase “working for or contracting with” as used in the calculation of annual AMC registry fees.

The ASC recognizes that the time required for notice and comment rulemaking for AMC registry fees could impede States’ ability to implement the fees within the Implementation Period. However, the restriction on performance of services for Federally related transactions applies to AMCs that are not registered with the State or subject to oversight by a Federal financial institutions regulatory agency. Therefore, it is the ASC’s understanding that the failure of a State to collect the fees under this rule within the Implementation Period would not subject otherwise properly registered and supervised AMCs in that State to the ban on providing services for Federally related transactions in that State.

## **II. The Proposed Rule**

The ASC is issuing this proposal to implement section 1109 of Title XI for collection and transmission of AMC registry fees by those States electing to register and supervise AMCs.<sup>11</sup> The proposed rule would establish the annual AMC registry fee and interpret the phrase “working for or contracting with” in accordance with section 1109 as amended by the Dodd-Frank Act. As with appraisers, an AMC operating in more than one State that elects to register and supervise AMCs would be required to pay a registry fee in each State in order to be on the AMC Registry for each of those States.

### ***Definitions***

*AMC Registry.* Proposed § 1102.401(a) proposes to define *AMC Registry* as the national registry maintained by the ASC of those AMCs that meet the Federal definition of AMC, as

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<sup>11</sup> *Id.*

defined in 12 U.S.C. 3350(11), are registered by a State or are Federally regulated, and have paid the annual AMC registry fee.

*AMC Rule.* Proposed § 1102.401(b) proposes to define *AMC Rule* as the interagency final rule on minimum requirements for 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 (2015).

*ASC.* Proposed § 1102.401(c) proposes to define *ASC* as the Appraisal Subcommittee of the Federal Financial Institutions Examination Council established under section 1102 (12 U.S.C. 3310) as it amended the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 *et seq.*) by adding section 1011.

*Performance of an appraisal.* Proposed § 1102.401(d) proposes to define *performance of an appraisal* to mean the appraisal service requested of an appraiser by the AMC was provided to the AMC.

*State.* Proposed § 1102.401(e) proposes to define *State* as any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the United States Virgin Islands, and American Samoa.

*Terms incorporated by reference.* Proposed § 1102.401(f) states that the definitions of: *appraisal management company (AMC); appraisal management services; appraiser panel; consumer credit; covered transaction; dwelling; Federally regulated AMC* are incorporated from the AMC Rule by reference because the proposed rule is closely related to the AMC Rule.

***Establishing the Annual AMC Registry Fee.***

Proposed § 1102.402 would establish the annual AMC registry fee for States that elect to register and supervise AMCs as follows: (1) in the case of an AMC that has been in existence

for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State during the previous year; and (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State since the AMC commenced doing business. Performance of an appraisal means the appraisal service requested of an appraiser by the AMC was provided to the AMC.

For AMCs that have been in existence for more than a year, section 1109 of Title XI provides that the annual AMC registry fee is based on the number of appraisers “working for or contracting with” an AMC in a State during a 12-month period multiplied by \$25, up to a maximum of \$50.<sup>12</sup> The proposed rule adopts the minimum fee of \$25 as set by statute and interprets the phrase “working for or contracting with” to mean those appraisers on an AMC appraiser panel that performed an appraisal for the AMC on a covered transaction<sup>13</sup> during the previous year in a particular State. The annual AMC registry fee for AMCs that have not been in existence for more than a year requires a determination by the ASC of an appropriate multiplier. The ASC proposes to use the same factors of \$25 multiplied by the number of appraisers that performed an appraisal for the AMC on a covered transaction, but the fee would be based on the actual period of time since the AMC commenced doing business rather than 12 months.

The ASC considered three options with respect to interpreting the phrase “working for or contracting with.” Under the first option, the phrase “working for or contracting with” would have been interpreted to include every appraiser on an AMC appraiser panel during the reporting

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<sup>12</sup> Title XI § 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

<sup>13</sup> Consistent with the AMC Rule, the proposed determination of performing an appraisal is proposed to be based on “covered transactions” rather than “Federally related transactions.”



period<sup>14</sup> in a particular State. The multiplier in this option would have included all appraisers on an AMC's appraiser panel in a particular State, including appraisers accepted by the AMC for consideration for future appraisal assignments.

Under the second option, the phrase "working for or contracting with" would have been interpreted to include those appraisers engaged by the AMC to perform an appraisal on a covered transaction during the previous year in a particular State. The time the appraiser would be considered in the calculation is at the point of engagement to perform a particular appraisal, regardless of whether the appraisal was fully performed during the reporting period. The ASC seeks comment in Question 3 below on whether this interpretation would be preferable for States to administer over the third option, which is set forth in the proposed rule.

Under the third option, which is set forth in the proposed rule, the phrase "working for or contracting with" would include appraisers that performed an appraisal for the AMC on a covered transaction during the reporting period in a particular State. This option would exclude appraisers accepted by the AMC for consideration for future appraisal assignments as well as appraisers who performed appraisals in the past, but did not perform any appraisals in the reporting period. The AMC registry fee is not intended to result in duplicate fees for the same appraisal, even if there are multiple drafts of an appraisal. Therefore, the AMC registry fee is to be calculated based on an appraisal one time only.

The ASC believes the third option imposes the minimum fee allowed under the statutory provisions of section 1109 and therefore imposes the least burden on AMCs. Based on the ASC's anticipated costs of overseeing States that elect to register and supervise AMCs, as well

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<sup>14</sup> In the case of AMCs that have been in existence for more than a year, the reporting period would be 12 months. In the case of an AMC that has not been in existence for more than a year, the reporting period would be since the AMC commenced doing business.

as the ASC's anticipated costs of maintaining the AMC Registry, the ASC believes the proposed annual AMC registry fee would adequately cover those costs while supporting other Title XI functions of the ASC as mandated by Congress, including further development of its grant programs, particularly for States.

***Collection and transmission of annual AMC registry fees.***

Proposed § 1102.403 would implement collection and transmission of annual AMC registry fees for States that elect to register and supervise AMCs following the statutory scheme set forth in section 1117 and section 1109 as amended by the Dodd-Frank Act. The proposed rule would require AMC registry fees to be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs. Only those AMCs whose registry fees have been transmitted to the ASC would be eligible to be on the AMC Registry for the 12-month period following the payment of the fee.

Under the proposed rule, States would have the flexibility to align a one-year period with any 12-month period, which may or may not be based on the calendar year. Just as many States do not use a calendar year for their existing appraiser credentialing process, the ASC believes that allowing States to set the 12-month period provides appropriate flexibility and will help States comply with the collection and transmission of AMC fees and reduce regulatory burden for State governments. States may choose to do this as they currently do for their appraisers, meaning some States have a date certain every year. Other States use, for example, the appraiser's date of birth (States could use AMC registration date similarly). The registration cycle would be left to the individual States to determine, but note that the statutory requirement in section 1109(a)(4) requires States that elect to register and supervise AMCs to submit AMC registry fees to the ASC annually.

According to the AMC Rule, Federally regulated AMCs must report to the State or States in which they operate that have elected to register and supervise AMCs the information required to be submitted by the State pursuant to the ASC's policies, including: (i) information regarding the determination of the AMC registry fee; and (ii) information required by the AMC Rule.<sup>15</sup>

### **III. Request for Comment**

The ASC requests comment on all aspects of this proposed rule, including specific requests for comment that appear throughout the Supplementary Information above. In addition, the ASC requests comments on the following questions:

*Question 1.* The ASC requests comment on all aspects of the proposed annual AMC registry fee.

*Question 2.* The ASC requests comment on the ASC's interpretation of the phrase "working for or contracting with."

*Question 3.* The ASC requests comment on the second option's interpretation of the phrase "working for or contracting with." While the proposal defines "working for or contracting with" to include only those appraisers that performed an appraisal for the AMC during the reporting period, the second option would define "working for or contracting with" to mean "the AMC engaged an appraiser to perform an appraisal, regardless of whether the appraiser completed the appraisal during the reporting period." The ASC is requesting comment on whether this would be an easier interpretation for the States to administer.

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<sup>15</sup> According to the AMC Rule, States are not required to identify Federally regulated AMCs operating in their States; nor are they responsible for supervising or enforcing a Federally regulated AMC's compliance with information submission requirements. A State is also not required to assess whether any licensing issues exist in that State concerning an owner of a Federally regulated AMC that may disqualify the AMC from being on the National Registry of AMCs. Rather, Federally regulated AMCs are subject to oversight by the Federal financial institutions regulators that supervise the financial institutions that own and control AMCs. The AMC Rule does not bar a State from collecting a fee from Federally regulated AMCs to offset the cost of collecting the AMC registry fee and the information related to the fee.

*Question 4.* The ASC requests comment on all aspects of proposed collection and transmission of annual AMC registry fees.

*Question 5.* The ASC requests comment on Federally regulated AMCs operating in a State that does not elect to register and supervise AMCs. Should the ASC collect information and fees directly from Federally regulated AMCs that wish to appear on the AMC Registry but operate in States that do not elect to register and supervise AMCs?

*Question 6.* What barriers, if any, exist that would make it difficult for a State to implement the collection and transmission of AMC registry fees?

*Question 7.* What costs (both direct in terms of fees and indirect in terms of administrative costs) would be associated with collection and transmission of AMC registry fees?

*Question 8.* What aspects of the proposed rule, if any, would be challenging for States to implement? To the extent such challenges would exist, what alternative approaches do commenters suggest that would make implementation easier, while maintaining consistency with the statute?

#### **IV. Regulatory Analysis**

##### **Paperwork Reduction Act**

Certain provisions of the proposed rule contain “information collection” requirements within the meaning of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501 *et seq.*). Under the PRA, the ASC may not conduct or sponsor, and, notwithstanding any other provision of law, a person is not required to respond to, an information collection unless the information collection displays a valid Office of Management and Budget (OMB) control number. The information collection requirements contained in this proposed rule are being submitted to OMB for review and approval at the proposed rule stage by the ASC pursuant to section 3506 of the PRA and

section 1320.11 of the OMB's implementing regulations (5 CFR part 1320). The collection of information requirements in the proposed rule are found in §§ 1102.400-1102.403. This information is required to implement section 1473 of the Dodd-Frank Act.

*Title of Information Collection:* Collection and Transmission of Annual AMC Registry Fees.

*OMB Control Nos.:* The ASC will be seeking new control numbers for these collections.

*Frequency of Response:* Event generated.

*Affected Public:* States; businesses or other for-profit and not-for-profit organizations.

Abstract

State Recordkeeping Requirements

States that elect to register and supervise AMCs would be required to collect and transmit annual AMC registry fees to the ASC. Section 1102.402 would establish the annual AMC registry fee for States that elect to register and supervise AMCs as follows: (1) in the case of an AMC that has been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State during the previous year; and (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State since the AMC commenced doing business. Performance of an appraisal means the appraisal service requested of an appraiser by the AMC was provided to the AMC.

Section 1102.403 would require AMC registry fees to be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs. Only those AMCs whose registry fees have been transmitted to the ASC would be eligible to be on the AMC Registry for the 12-month period following the payment of the fee. Section 1102.403 clarifies

that States may align a one-year period with any 12-month period, which may, or may not, be based on the calendar year. The registration cycle is left to the individual States to determine.

#### State Reporting Burden

Section 1103 of Title XI, *Functions of Appraisal Subcommittee*, was amended by the Dodd-Frank Act to require the ASC to maintain a registry of AMCs that are either: (1) registered with and subject to supervision by a State; or (2) Federally regulated AMCs. It is anticipated that on or before the effective date of this rule, the ASC will issue an ASC Bulletin to States that will address:

1. When the AMC Registry will be open for States; and
2. Reporting requirements (information required to be submitted by States in order to register AMCs on the AMC Registry).

#### Burden Estimates:

*Total Number of Respondents:* 500 AMCs, 55 States.

*Burden Total:* 500 hours.

The ASC has a continuing interest in public opinion regarding the ASC's collection of information. Comments regarding the questions set forth below may be sent to the OMB desk officer for the ASC by mail to U.S. Office of Management and Budget, Office of Information and Regulatory Affairs, Washington DC 20503, or by the Internet to [oir\\_submission@omb.eop.gov](mailto:oir_submission@omb.eop.gov), with copies to the ASC at the address listed in the

#### **ADDRESSES** section of this **SUPPLEMENTARY INFORMATION**.

- (a) Whether the collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility;
- (b) The accuracy of the agency's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected; and

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology.

### **Regulatory Flexibility Act**

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, generally requires that, in connection with a notice of proposed rulemaking, an agency prepare and make available for public comment a regulatory flexibility analysis that describes the impact of the proposed rule on small entities. However, the regulatory flexibility analysis otherwise required under the RFA is not required if an agency certifies that the proposed rule will not have a significant economic impact on a substantial number of small entities and publishes its certification and a brief explanatory statement in the *Federal Register* together with the proposed rule. Based on its analysis, and for the reasons stated below, the ASC believes that the proposed rule will not have a significant economic impact on a substantial number of small entities.

Section 1109 of Title XI provides that the annual AMC registry fee is based on the number of appraisers “working for or contracting with” an AMC in a State during a 12-month period multiplied by \$25, up to a maximum of \$50. The proposed rule adopts the minimum fee of \$25 as set by statute and interprets the phrase “working for or contracting with” to mean those appraisers that performed an appraisal for the AMC on a covered transaction during the previous year. The ASC proposes to use the same fee amount for AMCs that have been in existence for a year as for those that have not. However, in the case of an AMC that has not been in existence for more than a year, the \$25 fee would be multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction in such State since the AMC commenced doing business. The ASC believes the proposed rule imposes the minimum fee

allowed under the statutory provisions of section 1109 and therefore imposes the least burden on AMCs.

The proposed rule applies to collection and transmission of annual AMC registry fees by those States that elect to establish licensing and certifying authorities to regulate AMCs. In the ASC's regulatory flexibility analysis for this proposed rule, the ASC determined that the proposed rule does not impose directly any significant new recordkeeping, reporting, or compliance requirements on small entities. The proposed rule requires States that elect to register and supervise AMCs to collect and transmit to the ASC annual AMC registry fees from AMCs eligible to be on the AMC Registry maintained by the ASC. Generally, the RFA requires an agency to perform a regulatory flexibility analysis of small entity impacts only when the agency's rule directly regulates the small entities. The ASC's statutory oversight extends to State appraiser regulatory programs, and this proposed rule would implement collection and transmission of the annual AMC registry fee by States that elect to register and supervise AMCs following the statutory scheme set forth in section 1473 of the Dodd-Frank Act.

Based on its analysis, and for the reasons stated above, the ASC believes that the proposed rule will not have a significant economic impact on a substantial number of small entities. Therefore, the ASC certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities. Accordingly, an initial regulatory flexibility analysis is not required.

#### **Unfunded Mandates Reform Act of 1995 Determination**

The ASC has analyzed the proposed rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA) (2 U.S.C. 1532). Under this analysis, the ASC considered whether the proposed rule includes a Federal mandate that may result in the expenditure by State, local, and



tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year (adjusted annually for inflation). For the following reasons, the ASC finds that the proposed rule does not trigger the \$100 million UMRA threshold. First, the mandates in the proposed rule apply only to those States that choose to establish an AMC registration and supervision system. Second, the costs specifically related to requirements set forth in statute are excluded from expenditures under the UMRA. Given that the proposed rule reflects requirements that arise from section 1473 of the Dodd-Frank Act, the UMRA cost estimate for the proposed rule is zero. For this reason, and for the other reasons cited above, the ASC has determined that this proposed rule will not result in expenditures by State, local, and tribal governments, or the private sector, of \$100 million or more in any one year. Accordingly, this proposed rule is not subject to section 202 of the UMRA.

## **List of Subjects**

### 12 CFR Part 1102

Administrative practice and procedure, Appraisers, Banks, Banking, Freedom of information, Mortgages, Reporting and recordkeeping requirements.

## **Authority and Issuance**

For the reasons set forth in the preamble, the ASC proposes to amend 12 CFR part 1102 as follows:

### **PART 1102—APPRAISER REGULATION**

1. The authority citation for part 1102 is revised to read as follows:

**Authority:** 12 U.S.C. 3348(a), 3332, 3335, 3338 (a)(4)(B), 3348(c), 5 U.S.C. 552a, 553(e);

Executive Order 12600, 52 FR 23781 (3 CFR, 1987 Comp., p. 235).

2. Subpart E to part 1102 is added to read as follows:

## **Subpart E – Collection and Transmission of Appraisal Management Company (AMC)**

### **Registry Fees**

Sec.

1102.400 Authority, purpose, and scope.

1102.401 Definitions.

1102.402 Establishing the Annual AMC Registry Fee.

1102.403 Collection and Transmission of Annual AMC Registry Fees.

#### **§ 1102.400 Authority, Purpose, and Scope.**

(a) *Authority.* This subpart is issued by the Appraisal Subcommittee (ASC) under sections 1106 and 1109 (a)(4)(B) of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (Pub. L. 111-203, 124 Stat. 1376 (2010)), 12 U.S.C. 3335, 3338 (a)(4)(B)).

(b) *Purpose.* The purpose of this subpart is to implement section 1109 (a)(4)(B) of Title XI, 12 U.S.C. 3338.

(c) *Scope.* This subpart applies to States that elect to register and supervise appraisal management companies pursuant to 12 U.S.C. 3353 and the regulations promulgated thereunder.

#### **§ 1102.401 Definitions.**

For purposes of this subpart:

(a) *AMC Registry* means the national registry maintained by the ASC of those AMCs that meet the Federal definition of AMC, as defined in 12 U.S.C. 3350(11), are registered by a State or are Federally regulated, and have paid the annual AMC registry fee.

(b) *AMC Rule* means the interagency final rule on minimum requirements for 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 (2015).

(c) *ASC* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council established under section 1102 (12 U.S.C. 3310) as it amended the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3301 *et seq.*) by adding section 1011.

(d) *Performance of an appraisal* means the appraisal service requested of an appraiser by the AMC was provided to the AMC.

(e) *State* means any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the United States Virgin Islands, and American Samoa.

(f) *Terms incorporated by reference.* Definitions of: appraisal management company (AMC); appraisal management services; appraisal panel; consumer credit; covered transaction; dwelling; Federally regulated AMC are incorporated from the AMC Rule by reference.

#### **§ 1102.402 Annual AMC Registry Fee.**

The annual AMC registry fee to be applied by States that elect to register and supervise AMCs is established as follows:

- (1) in the case of an AMC that has been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC in connection with a covered transaction in such State during the previous year; and
- (2) in the case of an AMC that has not been in existence for more than a year, \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC in

connection with a covered transaction in such State since the AMC commenced doing business.

Performance of an appraisal means the appraisal service requested of an appraiser by the AMC was provided to the AMC.

**§ 1102.403 Collection and Transmission of Annual AMC Registry Fees.**

(a) *Collection of annual AMC registry fees.* States that elect to register and supervise AMCs pursuant to the AMC Rule shall collect an annual registry fee as established in § 1102.402 (a) from AMCs eligible to be on the AMC Registry.

(b) *Transmission of annual AMC registry fee.* States that elect to register and supervise AMCs pursuant to the AMC Rule shall transmit AMC registry fees as established in § 1102.402 (a) to the ASC on an annual basis. Only those AMCs whose registry fees have been transmitted to the ASC will be eligible to be on the AMC Registry for the 12-month period subsequent to payment of the fee.

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By the Appraisal Subcommittee,

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James R. Park, Executive Director

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Date

Billing Code 6700-0001