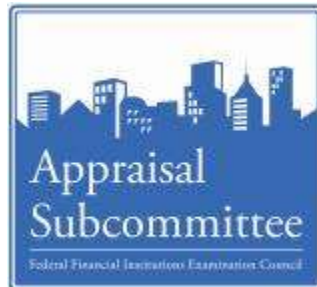


Briefing

Summary Notes

Cover Page

September 13, 2017



**APPRAISAL SUBCOMMITTEE
SUMMARY NOTES
MAY 10, 2017**

ATTENDEES

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

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Policy Manager – Claire Brooks
Policy Manager – Kristi Klamet
Policy Manager – Vicki Metcalf
Policy Manager – Jenny Tidwell
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: CFPB – Philip Neary
CFPB – Deana Krumhansl
FDIC – Michael Briggs
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FDIC – Mark Mellon
FDIC – Kim Stock
FDIC – Lauren Whitaker
FRB – Gillian Burgess
FRB – Carmen Holly
FRB – Matt Suntag
FRB – Kirin Walsh
HUD – Robert Frazier
OCC- Kevin Lawton
OCC – Chris Manthey
OCC – Joanne Williams

Purpose of the Briefing

The purpose of this Briefing was to discuss the following items: (1) Compliance Review Appeal Process; (2) Update on Final Rulemaking on Implementation of AMC Registry Fees; and (3) Workforce Restructuring per OMB’s Memorandum.

Compliance Review Appeal Process

J. Park reported that the ASC received a letter from the Tennessee Real Estate Appraiser Commission appealing the “Needs Improvement” rating they were given. ASC members discussed whether an appeal process should be developed. ASC members discussed whether appeals should be limited to only those States rated “Needs Improvement,” “Unsatisfactory,” or “Poor.” A panel comprised of three ASC members, on a rotating basis, could review the Compliance Review worksheets and workfiles in the case of an appeal to determine if a rating should be overturned. J. Park noted that States can provide additional information after reviewing the Preliminary Compliance Review as no rating is noted on that Report. M. Hatheway said the FDIC has an appeal process for bank reviews and she would forward that information to J. Park. R. Witt said that a State should have to justify their reason for appeal. A. Lindo said the ASC already approves an Unsatisfactory or Poor rating and suggested that a sub-group could review the appeal and present their findings to the ASC. A. Lindo asked if any members would be interested in serving on a panel (he will abstain). V. Spicer, R. Taft and R. Witt volunteered to review the Tennessee worksheets and workfiles. J. Park said he will set up a meeting with the panel.

Update on Final Rulemaking on Implementation of AMC Registry Fees

A. Ritter noted that the draft Final rulemaking includes two modifications from the Proposed Rulemaking: (1) Definitions will not be cross-referenced and (2) Processing Registry fees from federally-regulated AMCs. The draft Final Rule goes beyond the discussion in the Proposed Rule regarding Federally-regulated AMCs. The Proposed Rule only addressed States that do not have an AMC program. The draft Final Rule also addresses Federally-regulated AMCs that are working in States with an AMC program. M. Briggs noted that a State may not have statutory authorization to send in those fees. A. Ritter noted that the draft Rule proposed having AMCs report to States in order to comply with the Interagency AMC Final rule, then allowing the States to refer the AMC directly to the ASC for fee processing. A. Lindo asked agency legal staffs to review the draft Final Rule and submit their comments to A. Ritter in a timely manner.

Workforce Restructuring per OMB’s Memorandum

J. Park said staff is working on the high-level draft plan which is due to OMB on June 30th. OMB would respond to the ASC and a Final Report would be submitted by the ASC to OMB in September. The plan will include near-term and long-term restructuring. Once the plan is approved by the ASC and is submitted to OMB, it will go through public comment. R. Taft asked if the ASC can put forth that it would like to maintain its current budget since the ASC does not go through the Federal budget appropriation process. A. Ritter said all agencies, regardless of funding source, are required to prepare a plan. A. Lindo requested J. Park to submit a timeline to the ASC.

**APPRAISAL SUBCOMMITTEE
SUMMARY NOTES
JULY 12, 2017**

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Veronica Spicer
FDIC – Marianne Hatheway
FHFA – Robert Witt
OCC – Richard Taft

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

OBSERVERS: CFPB – Philip Neary
CFPB – Deana Krumhansl
FDIC – Michael Briggs
FDIC – Rich Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FDIC – Mark Mellon
FDIC – Kim Stock
FDIC – Lauren Whitaker
FRB – Gillian Burgess
FRB – Carmen Holly
NCUA – Scott Neat
OCC- Chris Manthey
OCC – Joanne Phillips

Purpose of the Briefing

The purpose of this Briefing was to discuss the following items: (1) FFIEC Meeting Update; (2) Tennessee Compliance Review Appeal Update; (3) Update on Regulatory Freeze (AMC Fee Rulemaking and Policy Statements); (4) Executive Director Update; (5) IT Project Services Expenses Update; and (6) FTC complaint against the Louisiana Real Estate Appraisers Board.

FFIEC Meeting Update

A. Lindo reported on the recent FFIEC Meeting. The FFIEC wanted to know the process for a lender to receive a temporary waiver due to an appraiser shortage. J. Park answered that ASC

staff did respond to an email from a Nebraska bank that asked about how to apply for a waiver. A. Lindo requested the response be circulated to ASC Members and the FFIEC Executive Secretary. A discussion ensued on the temporary waiver process and if it could be streamlined and transparent without straining ASC staff resources. R. Witt clarified that the temporary waiver allows appraiser credentialing requirements to be waived but not the appraisals themselves. A. Lindo noted that thresholds for residential appraisals may be revisited in the near future as well as appraisal issues in rural areas.

Tennessee Compliance Review Appeal Update

R. Taft said the review panel met on June 19th and reviewed documents pertaining to Tennessee's recent Compliance Review as well as ASC staff internal documents. A memorandum will be circulated to the ASC in the next few weeks with the panel's recommendation regarding Tennessee's appeal.

Update on Regulatory Freeze (AMC Fee Rulemaking and Policy Statements)

A. Ritter reported that the ASC can proceed on the Final Rulemaking for the Implementation of the AMC Registry Fees as well as re-posting the draft Revised Policy Statements for comment in the *Federal Register*. The Office of Management and Budget (OMB) Desk Officer stated that independent agencies are not required to comply with the Executive Order or the Guidance from the White House Chief of Staff. The Final Rule as drafted has two modifications from the Proposed Rule: (1) it would allow Federally regulated AMCs operating in a State that does not elect to register and supervise AMCs to provide required reporting information and registry fees directly to the ASC; and (2) it removes cross-references to provisions of the AMC Rule in the proposed definitions. ASC staff hopes to request approval of the Final Rule at the September 13th ASC Meeting. If approved, the Rule would go into effect 60 days from the date of publication in the *Federal Register*. M. Hatheway is concerned about wording in the draft Final Rule concerning Federally regulated AMCs operating in a State that does not have an AMC program reporting information and registry fees directly to the ASC because that would conflict with the interagency AMC Rule. A. Ritter responded that the wording could be changed to match wording used in the interagency AMC Rule. M. Briggs said that the ASC could flag the wording in the Final Rule so that if the AMC Rule were reopened to allow direct reporting to the ASC by these Federally regulated AMCs, the ASC could amend its rule. G. Burgess responded if there was authority for the ASC to collect the AMC fee directly, it would be easier legally. R. Taft asked where in the statute does it allow ASC to collect appraiser registry fees. A. Ritter responded that the statute requires States to collect appraiser fees and submit them to the ASC. A. Ritter noted that Federally regulated AMCs can perform federally related transactions in States that do not have an AMC program. After further discussion, A. Ritter said she will work on the wording with the agencies' legal representatives. D. Krumhansl asked when comments are due to ASC staff. A. Ritter answered by mid-August since the September 13th ASC Meeting package will be distributed the last week of August.

A. Lindo asked if the revised draft Policy Statements would impose a burden on the States. A. Ritter said Policy Statements clarify statutory and regulatory requirements, but do not impose additional requirements. A. Ritter noted that some technical changes were made to the Policy Statements since the original publication, but the changes are not substantive. R. Taft noted that following the review of Tennessee's Compliance Review appeal, there may be areas in the

appendix to the Policy Statements concerning the ASC Compliance Review process that should be clarified. A. Ritter said staff is hoping to include the draft Revised Policy Statements as an action item for the September 13th ASC Meeting.

Executive Director Update

J. Park updated ASC members on ASC staff activities since the May 10th ASC Meeting.

- The draft plan on Workforce Restructuring was submitted to OMB on June 29th. The final plan is due on September 30th and will be an action item for the September 13th ASC Meeting.
- He and D. Graves attended the Appraisal Foundation Board of Trustees Meeting in May. The Foundation has a positive net income for the first quarter of 2017. R. Taft asked how grant funds are reflected in the Foundation's financial statements. J. Park responded that they are shown as a revenue source. The ASC has scheduled a Briefing on August 16th with the Foundation to discuss its FY18 grant proposal. The FY18 grant proposal will be an action item for the September 13th ASC Meeting.
- The Appraiser Qualifications Board continues work on the revised Criteria; a fourth Exposure Draft will be distributed in the near future.
- He and D. Graves attended the Appraisal Standards Board Meeting in June in Denver, CO. The ASB discussed the enhancements to the electronic version of USPAP as well as potential changes to the 2020/21 version.
- ASC staff is continuing work on the Unique Identifier. It is expected to be ready on July 17th for State use. The Extranet, which States use to input National Registry data, has been updated and will be available for use on July 17th as well.
- The ASC office lease expires on October 1, 2018. The General Services Administration (GSA) feels that the ASC's current office space is too large and expensive, with rent costing approximately \$250,000/year. ASC staff have discussed telecommuting on a permanent basis and foregoing office space. While the ASC may need to rent meeting rooms and a post office box, the savings would be advantageous to the government. M. Hatheway asked if staff has talked to GSA about renting storage space for files. J. Park responded yes and added that GSA is beginning the procurement process for bids on office space. Bids may not be reviewed until the first quarter of 2018. A. Lindo said he would like the Board to see options showing the costs for a fully operational office versus foregoing office space. P. Neary noted that many examination specialists at CFPB staff telecommute full-time.

IT Project Services Expenses Update

Based on a request from the ASC at its May 10th Meeting, J. Park discussed overages in IT Project Services. He noted that work on the National Registry database required more

programming hours than anticipated. M. Hatheway asked at what threshold, either an amount or percentage, should the ASC be notified when a budget line item will exceed the budgeted amount. A. Ritter said that once the amount and/or percentage is agreed on by ASC members, it could be incorporated into the ASC's internal Policies and Procedures manual.

FTC Complaint against the Louisiana Real Estate Appraisers Board

R. Taft asked if other States have been notified by FTC that their regulations may violate Federal law. A. Ritter responded that North Carolina also received a letter from the FTC. J. Park said that States such as Louisiana and North Carolina are being very prescriptive regarding appraiser fees while other States have used surveys conducted by universities to determine customary and reasonable fees. V. Spicer contacted FTC and was told that FTC is concerned because of market participants being members on the State board and setting the fees. A. Ritter noted that some States are restructuring their Boards in light of the North Carolina Dental Board decision.

**APPRAISAL SUBCOMMITTEE
SUMMARY NOTES
AUGUST 16, 2017**

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Veronica Spicer
FDIC – Marianne Hatheway
HUD – Cheryl Walker
FHFA – Robert Witt
NCUA – Tim Segerson

ASC STAFF: Executive Director – Jim Park
General Counsel – Alice Ritter
Financial Manager – Girard Hull
Attorney-Advisor – Ada Bohorfoush
Management & Program Analyst – Lori Schuster
Administrative Officer – Brian Kelly

OBSERVERS: CFPB – Philip Neary
FDIC – Michael Briggs
FDIC – Richard Foley
FDIC – Suzy Gardner
FDIC – Ben Gibbs
FRB – Carmen Holly
HUD – Bobbi Borland
OCC – Kevin Lawton
OCC - Chris Manthey
OCC – Joanne Phillips

TAF STAFF: David Bunton
Kelly Davids
Edna Nkemngu

Purpose of the Briefing

The purpose of this Briefing was to discuss the FY18 Appraisal Foundation Grant Proposal.

FY18 Appraisal Foundation Grant Proposal

D. Bunton presented the FY18 Appraisal Foundation (Foundation) grant proposal in the amount of \$1,124,410. Of this total, \$814,410 is for grant-related related expenses of the Appraiser Qualifications Board (AQB) and Appraisal Standards Board (ASB). \$310,000 is requested for the State Investigator Training Program (ITP).

The AQB has been working for the past 18-24 months on revisions to the AQB Criteria. There is ongoing discussion regarding an alternative track for appraisers to gain experience such as taking a comprehensive test or more case study courses in lieu of experience hours. The AQB is also looking at an alternative track wherein Licensed appraisers in good standing may seek a Certified Residential credential without possessing a bachelor's degree. He noted that the National Uniform Appraiser Licensing and Certification Exam is ten years old this year and all States and Territories are using it. The pass rate is over 60% and approximately 20% more persons have sat for the exam this year over last year.

The ASB will publish the 2018-19 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) this fall. They will also distribute a survey later this year to appraisers regarding what emerging issues currently not addressed by USPAP should be included in the next edition of USPAP. The Foundation is considering changing USPAP from the current two-year cycle to a four-year cycle and switching from an outline to a narrative format. Updating USPAP less frequently would affect the Foundation's revenue stream. The frequency of USPAP Update courses would also be affected as well as ASB Board member terms, which are currently three-year terms. K. Davids said the Foundation will hold a webinar in mid-October on performing evaluations consistent with USPAP. J. Park asked if there would be a fee for the webinar and K. Davids responded it would be small fee. S. Gardner asked if the webinar would cover the Interagency Evaluations and Guidelines and D. Bunton responded "yes." S. Gardner asked if there has been further discussion on merging USPAP with the International Valuation Standards (IVS). D. Bunton responded that a bridge document was issued in 2016. He noted that the IVS is not enforceable and to create a bridge document from IVS to USPAP would be much more difficult. (A. Lindo joined).

K. Davids discussed the ITP and said that it has been very well received by the States. The ITP is a joint program between the Foundation, the ASC and the Association of Appraiser Regulatory Officials. The Steering Committee signed a Memorandum of Understanding for an additional three years. There will be three course offerings in 2018, one for each of the three levels. As in 2017, all courses will be held in Tampa, FL as the location had good facilities, security and transportation. The Foundation has contracted with one of the ITP instructors to review the course materials and update them to incorporate the 2018-19 edition of USPAP. Breakout sessions will also be retained and real-life case studies will continue to be used. They have estimated higher than average travel costs because it is not known until the course is completed what the travel costs actually are. A. Lindo asked if there is any data that correlates the outcome from the training to helping States better manage their enforcement programs. K. Davids responded "no" but suggested the ASC Policy Managers could include this in the Compliance Reviews. J. Park responded that ASC staff feels there is a clear benefit for States with 80% of States being rated as good or excellent and part of that could be attributable to the ITP. D. Bunton said that another benefit of ITP is that States can network and discuss best practices amongst themselves. C. Holly asked how the instructors were compensated. K. Davids responded that the instructors are under contract with the Foundation and their compensation is reflected as consulting in the grant. Foundation staff also expends time with travel logistics. V. Spicer asked who can attend the ITP. K. Davids responded that each State can send two persons. If a State wishes to send additional staff, they are put on a wait list. The wait list is weighted towards larger States. V. Spicer asked why some States have not sent staff and J. Park responded that some States restrict out-of-State travel.

After the Foundation's departure, the ASC discussed the grant proposal. A. Lindo wanted to discuss prioritizing funding. V. Spicer thought that the ITP should be given priority for funding as it is beneficial to States. A. Lindo agreed that the ITP should be a high-priority project and asked if there were ways to make it more cost effective. V. Spicer asked about travel estimates and J. Park said the Foundation estimates on the high side as does the ASC staff in its travel budget. S. Gardner said that virtual conferencing may allow more people to attend. B. Witt said while teleconferencing would allow more people to attend, States would not have the opportunity to network or participate in break-out sessions. He suggested that maybe the level three course could be taught as a virtual class. J. Park said the ASC could look at recording courses and putting them on the website. S. Gardner said that if the ASC looked for a different vendor, there would be initial costs. J. Park said that the current course materials are copyrighted, so the ASC could not use them if it went with a different vendor. J. Park noted the Foundation has done a good job so far and there is a positive side of the Foundation, AARO and ASC working together. M. Hatheway suggested including rationale in the budget to justify why the Foundation was chosen to do the ITP.