

■ ■ ■ ■ ■ ■ ■

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** August 30, 2017

**RE:** September 13, 2017 ASC Meeting Package

The enclosed materials are for the September 13<sup>th</sup> ASC Meeting.

---

## **OPEN SESSION**

- Agenda for September 13<sup>th</sup> ASC Open Session Meeting
- Reports
  - Mr. Park – Executive Director’s Report
- May 10<sup>th</sup> ASC Open Session Meeting Minutes

If you would like a Word version of the Minutes for editing, please let us know. Your edits can be submitted to Lori Schuster ([Lori@asc.gov](mailto:Lori@asc.gov)) by close of business, September 11<sup>th</sup>. A revised draft incorporating any edits received will be provided for the September 13<sup>th</sup> Meeting.
- FY18 Appraisal Foundation Grant Proposal

The ASC staff recommendation is included as part of the FY18 ASC Budget Proposal. A copy of the Foundation’s 2017 Budget is included in the FYI Section.
- FY18 ASC Budget Proposal
- Final Rule on the AMC National Registry Fee Implementation

If approved, the Final Rule would go into effect 60 days from publication in the *Federal Register*
- Revised ASC Policy Statements

ASC staff is recommending posting for a 60-day public comment period in the *Federal Register*

### **GRANT REIMBURSEMENTS**

- March – June 2017 Appraisal Foundation grant reimbursement requests that has been reviewed and approved by ASC staff

### **FYI - INFORMATIONAL ITEMS**

- Revised ASC Member List
- Appraisal Foundation 2017 Budget
- State Program Status Report
- Compliance Review Reports for: District of Columbia, Idaho, Iowa, Maine, Mississippi, Nebraska, New Hampshire
- May 31, 2017 letter from REVAA to the Utah Department of Commerce regarding Utah's proposed amendments to its AMC Rules
- Approved minutes of the February 10, 2017 ASC Open Session Meeting

### **BRIEFING SUMMARY NOTES**

- Summary Notes from the May 10<sup>th</sup>, July 12<sup>th</sup> and August 16<sup>th</sup> ASC Briefings

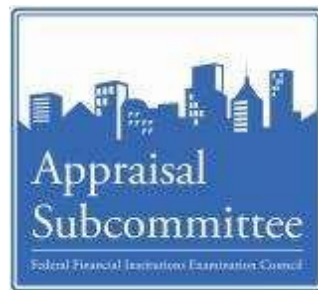
### **BRIEFING AGENDA**

- Agenda for the September 13, 2017 Briefing
- Memorandum regarding proposed threshold for cost overruns of budget line items.

# Open Session

# Cover Page

September 13, 2017



■ ■ ■ ■ ■ ■ ■

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## Agenda

**Date:** September 13, 2017  
**Time:** 10:00 a.m.  
**Location:** FRB, International Square  
1850 K Street, NW  
Washington, DC 20006  
**Metro Stop:** Farragut West - 18th Street Exit

<b>Open Session</b>
---------------------

### Reports

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

### Action and Discussion Items

- |   |                          |
|---|--------------------------|
| • <b>May 10, 2017 Open Session Minutes</b>  | <b>A. Lindo</b>          |
| • <b>Appraisal Foundation FY18 Grant Proposal</b>   | <b>D. Bunton/J. Park</b> |
| ○ <b>Foundation Grant for AQB and ASB</b>   |                          |
| ○ <b>State Grant for Investigator Training</b>  |                          |
| • <b>ASC FY18 Budget Proposal</b>   | <b>J. Park/G. Hull</b>   |
| • <b>Final Rulemaking - AMC National Registry Fee Implementation</b>  | <b>A. Ritter</b>         |
| • <b>Revised ASC Policy Statements for approval to repost in <i>Federal Register</i> for public comment</b> | <b>A. Ritter</b>         |
| • <b>Agency Reform Plan for submission to the Office of Management and Budget</b>                           | <b>J. Park</b>           |

■   ■   ■   ■   ■   ■   ■

## Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

**TO:** Appraisal Subcommittee

**FROM:** Jim Park, Executive Director

**DATE:** September 13, 2017

**RE:** Executive Director's Update

---

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

The next ASC Meeting will be held at 10:00 a.m. September 13, 2017, at the Federal Reserve Board facilities, International Square, 1850 K Street NW, 4th Floor, Washington, DC. There will be an Open session. A Briefing is scheduled following the Meeting.

### **HUD Appoints a New Member**

On August 15, 2017, HUD appointed Cheryl Walker, Director of the Home Valuation Policy Division from the Office of Single Family Housing, as the Department's primary representative on the ASC. Bobbi Borland was appointed as the alternate. Please join me in welcoming both Cheryl and Bobbi to the ASC.

### **Agency Reform Plan**

On April 12, 2017, the OMB issued a memorandum directing executive departments and agencies to develop a plan to achieve near-term workforce reductions and cost savings and develop a high-level draft of the Agency's Reform Plan, including how to maximize employee performance by June 30, 2017. Staff provided the draft Reform Plan on June 29, 2017. No feedback from OMB was received. A final draft Reform Plan is included in the Board Meeting materials and is on the Open Meeting Agenda for approval.

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

There have been no meetings of Appraisal Foundation Boards since the July 12, 2017 ASC Briefing. We did monitor two conference calls held by the Appraisal Standards and Appraiser Qualifications Boards.

### **National Registry Database Upgrade**

After almost two years of preparation, on July 17, 2017 the ASC rolled out significant upgrades to the National Appraiser Registry database and Extranet, as well as the initial steps toward implementing the unique id's. The upgrades include new data fields that allow users to see if appraisers' credentials have been renewed for the upcoming renewal cycle or if a credential holder is deceased. Coding changes were made that improved performance issues such as search times and presentation of search results.

Eight States have now converted to the unique id's and another 10-15 States are poised to convert in the next few weeks. Three States have adopted the SOAP system (California, Florida and Colorado) and several more are in the process.

### **Investigator Training History**

During the August 16, 2017 ASC Briefing, a member asked about development of the Investigator Training Program and why an RFP was not initiated. Attached is an overview of how the Investigator Training Program was initiated and grew into the successful program we have today.

### **Hurricane Harvey**

The Governor of Texas has issued a state disaster declaration for 54 counties in Texas. President Trump has also approved and signed the Texas disaster proclamation as a result of Hurricane Harvey.

As directed in the Governor's disaster declaration, and as authorized in Chapter 418, Texas Government Code, the Texas Appraiser Licensing and Certification Board (TALCB) will be seeking the Governor's approval to suspend the statutes and TALCB regulations requiring renewals of all licenses issued by TALCB for 30 days, including appraiser and appraisal management company (AMC) licenses and registrations. In practical terms, this will mean that all Texas license holders whose licenses are subject to renewal on August 31, 2017, will not be required to renew their license until September 30, 2017, and will be allowed to continue practicing until that date. In addition, the AQB Real Property Appraiser Qualification Criteria states the following:

*State appraiser regulatory agencies may allow credential holders impacted by a state- or federally-declared disaster that occurs within 90 days prior to the end of the continuing education cycle to remain (or be placed in) active status for a period of up to 90 days after the end of the credential holder's continuing education cycle, pending completion of all continuing education requirements.*

**Other Meetings and Presentations**

None

Attachment: Investigator Training Program History

## **Background on State Investigator Training: Why the ASC did not issue a Request for Proposals (RFP)**

**2000** – September 2000 ASC Meeting, State Investigator Training workshops were discussed and planned by ASC staff. At the time, the only statutory grant authority the ASC had was to make grants as deemed appropriate to the Appraisal Foundation’s AQB and ASB. Therefore, in response to a request by the ASC, Marc Weinberg, then ASC General Counsel, issued a legal opinion dated September 6, 2000, regarding legality of funding these workshops for State personnel. His conclusion was that the ASC could fund the activity pursuant to

Title XI, § 1109(b), which authorizes the ASC, among other things, to use National Registry fees “to support its activities under this title.” He associated that clause to the ASC oversight of whether States conform to Title XI requirements, and concluded that the ASC could hire professional staff with specific investigatory expertise to provide training to help States improve their programs, or similarly, the ASC could fund a series of workshops on investigator training.

**2003** – GAO recommended that the ASC explore potential options for funding or otherwise assisting States in carrying out their Title XI activities, particularly the investigation of complaints against appraisers. The ASC responded in a March 24, 2004 update to their letter to Congress dated July 14, 2003, that while the ASC had no legal authority to provide direct funding to States, the ASC continued to provide any non-financial assistance possible, including networking of State programs, writing letters to governors and/or State legislatures to support funding of State programs, particularly complaint investigation resources.

**2007** – House Bill H.R. 3837 as proposed would amend Title XI to authorize the ASC to make grants to the States for enforcement activities. (This was eventually folded into the Dodd-Frank Act, which was signed into law July 2010.)

**2008** – June 2008 ASC Meeting, the Appraisal Foundation (Foundation) stated they were considering an alliance with AARO to provide training for State investigators, and that the Foundation may request grant funds from the ASC for the investigator training. Since the ASC still did not have authority to grant funds to the States, based on the 2000 legal opinion supporting ASC funding of State investigator training workshops, and with the current General Counsel (Alice Ritter) concurring with that 2000 legal opinion, the ASC saw this as an avenue to provide valuable assistance to State programs, particularly in an area that was problematic for State programs, through its statutory grant authority to the Foundation. In August 2008, the ASC approved a supplemental grant to the Appraisal Foundation to offer investigator training. The Investigator Training has continued to present day through annual grant funding provided by the ASC to the Foundation to administer the courses. The Foundation has continued to coordinate with AARO through an Memorandum of Understanding and Steering Committee.

**2010** – Dodd-Frank Act (DFA) is signed into law requiring the ASC to make grants to States to support their efforts to comply with Title XI.



**2013** – September 2013 ASC Meeting, the ASC voted to approve the ASC State Grant Policy. This was formal recognition that the State Investigator Training, funded in part by the ASC and administered by the Foundation in coordination with AARO, is considered by the ASC to be a grant to the States and for the benefit of State programs. The ASC expressed a strong preference to expand the State Grant Policy to include other projects in the future.

**2015** – May 2015 ASC Meeting, the Advisory Committee presented recommendations, which included:

“For any technology, training, or other uses of ASC grant funding, it is advisable to use a widely-distributed Request for Proposal (RFP) process so that individuals or entities can express their interest, qualifications, resources, and cost regarding the topic or topics of such RFPs.”

This recommendation came out of discussion at the February 2015 Advisory Committee Meeting. Advisory Committee Members questioned why the ASC did not put Investigator Training out for bid, or RFP. ASC staff (Jim Park and Alice Ritter) explained that if the ASC expands educational offerings as part of future State Grant projects, the ASC would go through either an RFP or GSA schedule. However, the Investigator Training was an anomaly because of its history, having been created first in 2000, and then resurrected in 2008 by the Foundation collaboratively with AARO. It was not a State grant at the time because the ASC had no such authority. It was rather administered through the ASC grant to the Foundation, which was the authorized mechanism to provide the benefit to the State programs. After 2010, when the DFA was signed into law, it could be said that DFA codified what the ASC was already doing in providing grant funds for the benefit of the States. The ASC soon thereafter earmarked the two grants as separate grant funds in 2013. However, by the time federal law authorized the ASC authority to provide grant funds to the States, the Investigator Training was quite well developed, and the course materials copyrighted by the Foundation. The ASC has continued to fund Investigator Training through the Foundation for the benefit of the State programs in essence as a sole-source or maintaining of an existing program.

**APPRAISAL SUBCOMMITTEE  
OPEN SESSION MEETING MINUTES  
MAY 10, 2017**

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

**ATTENDEES**

**ASC MEMBERS:** FRB – Art Lindo (Chair)  
CFPB – Veronica Spicer  
FDIC – Marianne Hatheway  
FHFA – Robert Witt  
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 and Program Analyst – Lori Schuster  
Administrative Officer – Brian Kelly

**OBSERVERS:** Appraisal Institute – Bill Garber  
CFPB – Deana Krumhansl  
CFPB – Philip Neary  
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  
NCRC – Ali Lederer  
OCC – Kevin Lawton  
OCC – Chris Manthey

The Meeting was called to order at 10:05 a.m. by A. Lindo.

## **REPORTS**

- **Chairman**

A. Lindo welcomed observers to the Meeting. He reported that ASC staff is continuing work on the rulemaking for the AMC Registry Fee implementation despite the current Regulatory Freeze. The *Economic Growth and Regulatory Paperwork Reduction Act* report was submitted to Congress by the FFIEC. The agencies (FDIC, FRB, NCUA and OCC) are developing a proposal to raise the threshold for commercial loans from \$250,000 to \$400,000, with the threshold for residential loans remaining at \$250,000. The agencies will work with the ASC to streamline the process for evaluation of temporary waiver requests in order to address the concerns of rural areas with a scarcity of appraisers.

- **Executive Director**

J. Park reported on staff activities since the ASC's February 10<sup>th</sup> Meeting. He introduced Veronica Spicer and Philip Neary as the CFPB representative and alternate, respectively. They replace Mira Marshall and Calvin Hagins. He also reported on the following:

- Per the Office of Management and Budget's (OMB) April 12<sup>th</sup> Memorandum to Agencies entitled *Comprehensive Plan for Reforming the Federal Government and*

*Reducing the Federal Civilian Workforce*, ASC staff is drafting a high-level plan which is due to OMB on June 30<sup>th</sup>. Once a plan is drafted, it will be distributed to the ASC for comment. The final plan is due to OMB on September 30<sup>th</sup>.

- The Appraiser Qualifications Board (AQB) Meeting was held in Tampa on April 6-7. The AQB will likely issue a 4<sup>th</sup> Exposure Draft this year of proposed changes to the AQB Criteria (Criteria). ASC staff is concerned that the AQB will lower the Criteria. Since States may exceed the Criteria, it is possible if not likely, that some States will choose not to change their credentialing requirements, thereby undermining the general uniformity of appraiser qualifications across the country. R. Taft noted that if the Criteria are lowered, it may be an incentive for more persons to enter the field. J. Park noted that there are currently more appraisers on the National Registry than in the early 2000s when the Criteria was lower.

- The Unique Identification Number (UID) is scheduled to be launched the end of June. ASC staff anticipates having all States converted to the UID program by the end of 2017.

- **Delegated State Compliance Reviews**

C. Brooks reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's February 10<sup>th</sup> Meeting. Six State Compliance Reviews were finalized and approved by the Executive Director under delegated authority. Florida, Kentucky and South Carolina were each awarded a Finding of "Excellent" and all will

remain on a two-year Review Cycle. Delaware, Indiana and West Virginia were each awarded a Finding of “Good” and all will remain on a two-year Review Cycle. The Virgin Islands Compliance Review was finalized and approved by the Chairman under delegated authority. It was awarded a Finding of “Needs Improvement” and will remain on a two-year Review Cycle with a Follow-up Review in 6-9 months. C. Brooks said that the Virgin Islands has sixty days to respond with a written plan outlining the steps to be taken and the timeline to amend their regulations to bring them into compliance. M. Hatheway asked what the additional monitoring would entail. J. Park responded that Virgin Islands must send in a plan to correct the problem and ASC staff will ensure that Virgin Islands corrects it. A. Lindo requested that ASC staff provide an update on the Virgin Islands at the next ASC Meeting. M. Hatheway asked if the staff could provide a copy of the Follow-up Review to the ASC. C. Brooks responded that the Follow-up Review would be distributed once it is finalized.

C. Brooks noted that the Tennessee Compliance Review which had been finalized and sent to the State and ASC members is under further review and consideration, and will be presented at the next ASC Meeting. J. Park added that Tennessee submitted a letter requesting reconsideration of their rating.

- **Financial Manager**

G. Hull reported on the ASC’s financial status through March 31, 2017, which is the halfway point of the ASC’s budget year. Current revenue and expenses are each at 46% of the budgeted amount for FY17. M. Hatheway asked why Project Services was over budget

and if some of the increased cost is carryover from the FY16 budget. G. Hull responded that some of the increased cost was carryover. J. Park added that part of the Project Services budget allotment is for updating the National Registry database to improve efficiency and the cost was more than anticipated. M. Hatheway asked ASC staff to provide a breakdown of the carryover and what is projected to be expended. She also asked if there is a policy that requires ASC staff to notify the ASC members when a budget line item will exceed the budgeted amount by a certain percentage or amount. A. Lindo suggested that staff could prepare a variance report if a budget line item will be exceeded by a certain percentage or amount. He asked G. Hull to prepare thresholds for the budget line items and distribute some examples to the ASC.

The ASC staff reviewed and approved five Appraisal Foundation grant reimbursement requests totaling \$161,000 for the period covering October 2016 through February 2017. These requests covered costs for the ongoing work of the AQB and ASB. The FY17 Appraisal Foundation grant budget is \$350,000 with \$189,311 remaining. The ASC also reviewed and approved five State Grant requests administered by the Appraisal Foundation totaling \$17,000. These requests for October 2016 through February 2017, covered expenses for planning activities for the Investigator Training Program. Since the FY17 Investigator Training Program is now underway, staff expects higher State Grant reimbursement requests in the remaining months of FY17. The FY17 State Grant budget is \$309,085 with \$291,815 remaining.

## **ACTION ITEMS**

- **February 10, 2017 Open Session Minutes**

R. Taft made a motion to approve the February 10<sup>th</sup> open session meeting minutes as edited. R. Witt seconded and all members present voted to approve.

- **2016 ASC Annual Report**

J. Park said the Report layout is nearly done with technical edits being incorporated. It is due to Congress by June 15<sup>th</sup>. A. Bohorfoush noted that the ASC member and staff listings are those as of December 31, 2016. R. Taft suggested that a graph showing the ASC total revenue for the previous five years should be included in next year's Report. J. Park said staff would talk with the layout editor to see if it could be added to the 2016 Report. A. Lindo requested a motion to authorize staff to make minor technical edits and finalize the Report. R. Witt moved to approve and R. Taft seconded; all members present voted to approve.

The Open Session adjourned at 10:50 a.m. The next ASC Meeting will be July 12, 2017.



July 31, 2017

Mr. James Park  
Executive Director  
Appraisal Subcommittee  
Federal Financial Institutions Examination Council  
1401 H Street, N.W.  
Suite 760  
Washington, DC 20005

Dear Jim:

Enclosed is The Appraisal Foundation 2017-2018 Federal Grant Proposal for your review and consideration. We are requesting support in the amount of \$1,124,410 for the period October 1, 2017 through September 30, 2018. Of this total, \$310,000 is for state investigator training and \$814,410 is for Title XI related expenses of the Appraisal Standards Board and Appraiser Qualifications Board.

Some of the key points of our request include:

***State Investigator Training:*** We propose conducting three course offerings during the grant period, one for each of the three levels. In addition, we are requesting funds to update the courses and increase the class size to 50 students at each level.

***Appraiser Qualifications Board:*** The Board is currently considering possible alternatives to the current experience requirements for each of the three classifications which range from 2,000 hours over 12 months for the state licensed category to 3,000 hours over 30 months for the state certified general category. The board is looking at such alternatives as being able to take a comprehensive test in lieu of experience hours and taking more case study courses (on-line, simulated properties) in lieu of experience hours. They want to ensure that the experience requirement does not become a barrier to entering the profession. There is a significant amount of stakeholder interest in this endeavor.



Mr. James Park  
July 31, 2017  
Page Two

In addition, they are pursuing the establishment of a track whereby experienced state licensed appraisers in good standing may seek the certified residential credential without possessing a bachelor's degree.

The Board also will be updating the National Uniform Appraiser Licensing and Certification Examination.

*Appraisal Standards Board:* During this grant period the ASB will conduct a comprehensive survey of stakeholders to determine a) what areas of USPAP need further clarification, and b) what emerging issues currently not addressed by USPAP should be included in the next edition of USPAP.

We appreciate the support provided by the Appraisal Subcommittee over the years and look forward to our meeting next month to address any questions you may have. In the meantime, please do not hesitate to call Edna Nkemngu, Director of Finance and Administration or me, should you have any questions about our proposal.

Sincerely,

A handwritten signature in black ink, appearing to read "David S. Bunton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David S. Bunton  
President

Attachments



# THE APPRAISAL FOUNDATION

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

## **2017-2018 Grant Proposal**

Appraisal Subcommittee  
1401 H. Street, NW, Suite 760  
Washington, DC 20005

July 31, 2017

**THE APPRAISAL FOUNDATION  
2017-2018 GRANT PROPOSAL**

**TO**

**THE APPRAISAL SUBCOMMITTEE**

**TABLE OF CONTENTS**

**PAGE**

---

INTRODUCTION.....	3
STATEMENT OF WORK – APPRAISER QUALIFICATIONS BOARD .....	4
STATEMENT OF WORK – APPRAISAL STANDARDS BOARD.....	10
STATEMENT OF WORK – PROJECTS TO IMPROVE REGULATORY SYSTEM.....	14
KEY PERSONNEL .....	17
CONCLUSION .....	20
SUMMARY OF PROJECT COSTS.....	21
APPRAISER QUALIFICATIONS BOARD PROJECT BUDGET.....	22
APPRAISAL STANDARDS BOARD PROJECT BUDGET .....	24
INVESTIGATOR TRAINING PROJECT BUDGET .....	26
APPENDIX I.....	28
APPENDIX II.....	31

**THE APPRAISAL FOUNDATION  
FEDERAL GRANT PROPOSAL  
OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018**

**STATEMENT OF WORK**

**INTRODUCTION**

The Appraisal Foundation is pleased to have been the recipient of Federal grants which have assisted in funding many of the programs of the Appraisal Standards Board and the Appraiser Qualifications Board over the past twenty-six years.

During this time of rapid development and change in the appraisal profession and in appraisal regulation, The Appraisal Foundation has matured into an objective, representative organization that interacts with all sectors of the market impacted by valuation.

The Appraisal Foundation appreciates the opportunity to submit this 2017-2018 grant proposal to the Appraisal Subcommittee.

## STATEMENT OF WORK - APPRAISER QUALIFICATIONS BOARD

### BACKGROUND

Under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience and examination requirements for real property appraisers to obtain a state certification.

This authority was expanded by the enactment of the Dodd-Frank Financial Reform Act in July of 2010. States having a Licensed Residential category must, at a minimum, meet the AQB qualification criteria. The same is true of states with a Trainee category. In addition, any guidance issued by the AQB relating to Supervisory Appraisers must be adhered to by the states.

The AQB is currently engaged in the implementation and monitoring of the following grant-funded endeavors:

- I. *The Real Property Appraiser Qualification Criteria*
- II. *The National Uniform Licensing and Certification Examinations*

The AQB also performs ancillary duties related to real property and produces personal property appraiser qualifications. Although they are not currently funded by the grant, they are being provided for informational purposes.

- I. *The Course Approval Program*
- II. *The University Degree Review Program*
- III. *The Program to Improve USPAP Education*

---

## 2017-18 BUSINESS PLAN FOR THE APPRAISER QUALIFICATIONS BOARD

### Executive Summary:

Under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience and examination requirements for real property appraisers to obtain a state license or certification.

The AQB also performs a number of ancillary duties related to real property and personal property appraiser qualifications. The AQB is currently engaged in the implementation and monitoring of the following endeavors:

- I. *The Real Property Appraiser Qualification Criteria*
- II. *The Personal Property Appraiser Qualification Criteria*
- III. *The National Uniform Licensing and Certification Examinations*
- IV. *The Program to Improve USPAP Education*
- V. *The Course Approval Program*
- VI. *The University Degree Review Program*

Following is the AQB business plan for the period commencing January 1, 2017, and ending December 31, 2018.

### **Major Issues for the Board**

#### I. *The Real Property Appraiser Qualification Criteria (Criteria)*

As reported in prior business plan documents, in December 2011, the Board adopted revisions to the *Criteria* with an effective date of January 1, 2015. In addition, the Board also adopted background check requirements that became effective on January 1, 2017.

Since these revisions to the *Criteria* were adopted, the Board has made efforts to assist appraisers, users of appraisal services, education providers, state appraiser regulatory agencies, and others in properly understanding these changes. The Board will continue using printed publications, video presentations, webinars, and other means to assist in the implementation process.

In response to concerns the Board heard about difficulty in earning the experience necessary to obtain a real property appraiser credential, in 2015 the Board commenced an examination of an "alternative track." To that end, the Board:

- Published a Concept Paper July 2015
- Held a public hearing in Washington, DC in October 2015
- Published a Discussion Draft in February 2016
- Held a public meeting in Phoenix, Arizona in April 2016 (in conjunction with the spring conference of the Association of Appraiser Regulatory Officials)
- Published the First Exposure Draft of Proposed Changes to the *Criteria* in May 2016
- Held a public meeting in Las Vegas, Nevada in June 2016

- Adopted changes to the Supervisory Appraiser jurisdictional requirements that became effective on July 1, 2016
- Conducted an online Public Briefing in August 2016
- Published a Second Exposure Draft in September 2016
- Held a public meeting in St. Louis, Missouri in November 2016
- Published a Third Exposure Draft in March 2017
- Held a public meeting in Tampa, Florida in April 2017 (in conjunction with the spring conference of the Association of Appraiser Regulatory Officials)

The feedback the Board has received from these outreach efforts has been significant: approximately 1,000 separate written comments have been received; over 1,000 responses to surveys conducted by appraiser trade associations and coalitions; and hundreds of people have attended the Board's public meetings.

While the level of the feedback has been dramatic, there has been anything but consensus on the issues being considered by the Board. As a result, the Board intends to take two additional steps prior to the publication of a Fourth Exposure Draft:

- Form a focus group to assist in a more narrowed examination of the issues. A face-to-face meeting will be held on September 6 in conjunction with the Board's meetings in Minneapolis, Minnesota; and
- Survey the states to determine any issues surrounding the implementation of any changes that may be adopted by the Board.

## II. The Personal Property Appraiser Qualification Criteria

The *Personal Property Appraiser Qualification Criteria* is a voluntary set of criteria, except for personal property appraisers who are members of sponsoring organizations of The Appraisal Foundation.

As reported in prior business plan documents, in March 2015, the Board adopted changes to the *Personal Property Criteria* that become effective on January 1, 2018.

## III. National Uniform Licensing and Certification Examinations

In order for an individual to become a credentialed real property appraiser, Title XI of FIRREA requires that they must pass an examination that has been developed or approved by the AQB.

As reported in prior business plans, the *National Uniform Licensing and Certification Examinations* were implemented on January 1<sup>st</sup>, 2008, in conjunction with the updated (2008) *Criteria*. As expected, pass rates began very low initially (overall 44% for first-

time test takers) but have gradually increased over time, as more candidates have completed the 2008 educational requirements that the exams were based on.

In 2014, the number of first-time test takers was 2,630, a 73% increase over the number from 2013. This was due, in large part, to applicants wishing to obtain a credential prior to the increased qualification requirements became effective on January 1, 2015. In 2015, the number of first-time test takers was 973, again reflecting a significant decline due to the “rush” of individuals trying to become credentialed prior to 2015. In 2016, the number was very similar to 2015, with 984 individuals taking an exam for the first time.

The overall pass rate for first-time test takers in 2016 was 67%, as compared to 63% in 2015 and 64% in 2014.

As with prior years, the Board will again oversee drafting of additional exam questions by its ongoing groups of Subject Matter Experts (SMEs). New forms of each exam for each classification will be put into use as of January 1, 2018.

#### IV. Program to Improve USPAP Education

To improve the quality and uniformity of USPAP education, the AQB requires the following:

- All applicants for a credential are required to successfully complete the 15-hour *National USPAP Course* (or its equivalent), taught by an AQB Certified USPAP Instructor who is also a state-certified appraiser in good standing.
- All currently licensed and certified appraisers are required to complete the 7-hour *National USPAP Update Course* (or its equivalent) every two years. This course must also be taught by an AQB Certified USPAP Instructor who is also a state-certified appraiser in good standing.

As in prior years, the AQB continues to monitor and improve this program. The focus of the Board for the 2018-19 edition of USPAP will include the following:

- Coordinate with its sister Board, the ASB, regarding the learning objectives and design for the 7-hour *National USPAP Update Course*.
- Continue to monitor and improve procedures that ensure AQB Certified USPAP Instructors are meeting contractual commitments. Understanding and complying with these commitments represents a significant portion of the complaints received about Instructors.



- Updating the classroom and online edition of the USPAP courses to incorporate the revisions for the 2018-19 edition of USPAP, as well as updating the Instructor Certification Course (ICC) and Instructor Recertification Course (IRC). Continue to review and approve equivalent USPAP courses.
- Continue activities as *The Program to Improve USPAP Education's* controlling authority. This includes making policy decisions and serving as the appellate body for any disputes that arise regarding instructor applications, instructor conduct, examination issues, and other administrative issues.

V. Course Approval Program

The AQB will continue to administer the Course Approval Program in 2017-18. This program reviews and approves USPAP equivalent courses as well as appraisal courses and seminars for both qualifying and continuing education. Currently, approximately 289 qualifying and continuing education courses are approved through CAP, which includes a total of 17 USPAP courses, including courses that are for personal property, business valuation and mass appraisal.

VI. University Degree Review Program

The AQB will continue to evaluate graduate and undergraduate degree programs in real estate to determine the applicability of the courses towards the Required Core Curriculum contained in the *Real Property Appraiser Qualification Criteria*.

To date, the Board has evaluated and approved a total of nine undergraduate college and university programs:

Colorado State University  
 Indiana University  
 Lehigh University  
 Texas A&M University  
 University of Denver  
 University of Nebraska-Omaha  
 University of Northern Iowa  
 University of Wisconsin - Madison  
 Virginia Commonwealth University

Five graduate programs have been reviewed and approved:

Texas A&M University  
 University of Denver  
 University of Florida

University of Wisconsin - Madison  
Virginia Commonwealth University

VII. 2017-18 Meeting Schedule

In addition to the meetings shown below, if additional meetings with input from the public are deemed necessary, the Board will schedule such meetings, including offering alternative formats, such as webinars.

September 6-8, 2017	Minneapolis, Minnesota (focus group meeting on September 6, public meeting on September 8)
January/February 2018	Washington, DC (work session only)
May 3-4, 2018	Seattle, Washington (public meeting on May 4; meeting also being held in conjunction with AARO)
June/July 2018	Washington, DC (National Online Briefing)
September 27-28, 2018	Raleigh, North Carolina (public meeting on September 28)

VIII. 2017/2018 AQB Deliverables

The following deliverables will be made available to the Appraisal Subcommittee as the result of the Appraiser Qualifications Board's efforts:

- Meeting announcements and preliminary agendas
- Approved minutes of all meetings of the Board
- AQB Q & A's
- Executive Summaries of all meetings of the Board
- Exposure drafts of proposed Interpretations
- Exposure drafts and any adopted changes to the *Real Property Appraiser Qualification Criteria*.
- All documents associated with the development and administration of the state examinations.

## STATEMENT OF WORK - APPRAISAL STANDARDS BOARD

### BACKGROUND

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 mandated that, with regard to federally related transactions, "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."

This authority was expanded by the enactment of the Dodd-Frank Financial Reform Act in July of 2010. Federal financial institutions regulatory agencies rulemaking relating to appraisal standards must now include that "such appraisals shall be subject to appropriate review for compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP)."

The Appraisal Standards Board (ASB) adopted USPAP at its first meeting in January 1989. These Standards are periodically reviewed and updated to reflect the evolving needs of the marketplace and the regulatory community.

In addition to the Standards, the ASB also issues Statements on Standards, which have the same weight as a Standard. Non-binding guidance is offered by the ASB in the form of Advisory Opinions and Frequently Asked Questions.

### RESPONSIBILITIES

The Appraisal Standards Board (ASB) is charged with two main functions:

1. Write, edit, publish, and interpret the *Uniform Standards of Professional Appraisal Practice* (USPAP); and
2. Provide educational materials for practitioners, users of appraisal services, regulators and the public on USPAP.

*It is the objective of The Appraisal Foundation to have the 2018-19 edition of USPAP available to the public in Fall 2017.*

### OUTLINE OF ASB AGENDA

#### I. USPAP ISSUES TO BE ADDRESSED

On February 3, 2017, the ASB adopted revisions for the 2018-19 edition of USPAP. Since that time, the Board has worked to incorporate those revisions into USPAP, the Advisory

Opinions and *Frequently Asked Questions*. It is the objective of The Appraisal Foundation to have the 2018-19 edition of USPAP available to the public in Fall 2017.

To assist in determining what changes, if any, are appropriate for the 2020 edition of USPAP, the Board intends to issue a comprehensive survey to stakeholders in early September 2017, containing a list of potential areas for revision, along with background and rationale to support consideration of the issues. The Board will use responses from this survey to help determine a course of action at its subsequent meeting in Washington, DC in October 2017.

Once a determination has been made as to the areas of USPAP where changes will be considered, the Board will conduct its traditional public exposure process for any proposed revisions. This process will commence in late 2017 and run through 2018, with the adoption of any changes being made in early 2019.

A significant issue that faces the Board (as well as The Appraisal Foundation) is the frequency of change in USPAP. Based on feedback from the Board's constituents, it is envisioned that USPAP will change from a two-year cycle to a four-year cycle in the future. Although the precise timing of this change remains undetermined, its occurrence is virtually certain.

## II. USPAP EDUCATION

In addition to making revisions for the 2018-19 USPAP document, the Board also continues to finalize updates to the USPAP content for various educational offerings. The Board will:

- Continue to work with the AQB to revise the 7- and 15-Hour National USPAP Courses (both classroom and online), as well as The Appraisal Foundation's USPAP Courses for Business Valuation, Personal Property, and Mass Appraisal
- Continue to work with the AQB to update the USPAP Instructor Certification Course, and the USPAP Instructor Recertification Course
- Ensure instructors are available for the AQB Instructor Certification Course, scheduled for spring 2018
- Ensure reviewers are available for 7- and 15-Hour National USPAP Course equivalency review
- Provide an ASB representative to participate in the Instructor Disciplinary Review Panel
- Identify and address other areas where there is a demand for USPAP related education

Outreach:

- Report to and meet with the standing committees of TAFAC and IAC on matters related to USPAP
- Provide speakers and programs for special events, as requested, for state appraiser regulatory agencies, professional appraiser organizations, educational providers, etc.
- Provide direct and immediate feedback to all individuals who contact the Board with questions and/or comments.

Additional Responsibilities:

The Board will also continue to perform ancillary services such as:

- *Investigator Training Course*
  - Review TAF/AARO investigator training courses for USPAP accuracy, prior to completion
- *AQB National Examinations*
  - Continue to assist AQB in evaluating USPAP questions for the examination test question bank
- *International Valuation Standards Committee (IVSC)*
  - Interact with the IVSC to update the Bridge Document due to changes in USPAP and the IVS.

III. USPAP PROMULGATION

- Write USPAP Q&As for publication on an as-needed basis
- Issue other communications regarding the 2018-19 edition of USPAP
- On a daily basis provide answers to USPAP questions addressed to the Board/staff via telephone, email, fax, or regular mail

IV. 2017-18 MEETING SCHEDULE

The Board is currently scheduled to hold the following meetings:

October 12-13, 2017	Washington, DC (in conjunction with IAC & AARO)
March/ April, 2018	San Diego, California
June/July 2018	Washington, DC (National Online Briefing)
October 18-19, 2018	Washington, DC (in conjunction with IAC & AARO)

In addition to the meetings identified above, the Board will conduct monthly conference call meetings in the months where it does not otherwise meet.

V. 2017/2018 DELIVERABLES

The following deliverables will be made available to the Appraisal Subcommittee as the result of the Appraisal Standards Board's efforts:

- Meeting announcements and preliminary agendas
- Approved minutes of all meetings of the Board
- Executive Summaries of all meetings of the Board
- Position papers and white papers emanating from any “Work Group” process
- Exposure drafts of proposed Standards Revisions and Statements
- Advisory Opinions approved
- Standards Revisions adopted
- USPAP Q&As
- All Documents sent to The Appraisal Foundation Advisory Council and the Industry Advisory Council

## **STATEMENT OF WORK - PROJECTS TO IMPROVE REGULATORY SYSTEM**

The Appraisal Foundation continues to have a good working relationship with state appraiser regulators and the Association of Appraiser Regulatory Officials (AARO). The Foundation continues to participate in the programs of the AARO Spring and Fall Conferences.

### **STATE INVESTIGATOR TRAINING**

Since 2009, we have conducted 27 State Investigator Training Course offerings attended by more than 902 attendees (state investigators, attorneys, administrative/support staff, and board members). 481 attendees have taken Level I, 344 have taken Level II, and 122 have taken the Level III course that was added as an offering in 2014<sup>1</sup>. 54 of the 55 jurisdictions that regulate appraisers have participated in at least one Level I course, 51 have participated in at least one Level II course, and 34 have participated in at least one Level III course. (Appendix II)

In 2016, we tested holding all three levels in one location and chose a site in the center of the country - St. Louis, Missouri. This central location with easy access to the airport and downtown, received positive feedback from the attendees but there were concerns expressed about security. Also in 2016, at the request of AARO, we added two new instructors to serve as potential backup instructors for future offerings. They attended all three levels of training offered in 2016.

In 2017, all three levels are being held in Tampa, Florida. The hotel in Tampa meets all training site requirements including a safer location, hotel rooms at government per diem rates, great meeting spaces, affordable lunch options, close proximity to the airport and restaurants, and a very attentive hotel staff. The student evaluations reflect a high rating for the location, so we plan to return to Tampa for all three trainings in 2018.

The 2017 updates to the Level 2 and 3 courses included the addition of breakout sessions. Designed to satisfy the attendees' requests for more case studies, real life examples, and discussions, the breakout sessions give smaller groups more interactive time with each other in facilitated study. The breakout sessions incorporated into the Level 2 course held in July received high ratings from attendees and great feedback from instructors, and they will be continued in 2018.

Training of the two back-up instructors continued in 2017 as each was given an opportunity to facilitate a breakout session in Levels 2 and 3. The back-up instructor

---

<sup>1</sup> The 2017 Level III course is scheduled for September 11-13, 2017. There are 45 students from 28 states registered to attend.

training is now complete, and 2018 will see the return of having two instructors teach each level.

In considering future updates to the Investigator Training courses, the Steering Committee reviewed the program's success, and decided to keep the training framework intact but to improve the cohesion between all three levels for the 2018 course offerings. Dennis Badger, an instructor and the original author of Investigator Training, has been contracted to make the courses 'flow' better, take out redundancies, keep breakout sessions, and update the materials to reference the new 2018-19 USPAP.

The Appraisal Foundation and AARO are committed to continuing joint efforts to train state regulators. On July 20, 2017, the organizations renewed and signed the Memorandum of Understanding for the *Collaboration for Appraiser Regulator Training (CART)* agreement covering the next three years.

This project is a great example of how The Appraisal Foundation, AARO and the Appraisal Subcommittee can cooperatively produce a successful program. Much of what we do at the Foundation takes many years to make an impact. With this program, we have professionally trained a corps of hundreds of people from across the country. This has made a significant impact on promoting consistency in enforcement.

Attached please find two documents:

- A listing of all of the investigator training sessions conducted over the past nine years. (Appendix I)
- An historical state-by-state breakdown of attendees. (Appendix II)

While not part of this grant request, the following is being provided for informational purposes:

### **Remedial/Corrective Education**

Initially referred to as "remedial" education, a survey of state appraiser regulators indicated that the preferred term is "corrective" education. We have four courses that have been developed:

- Scope of Work: Appraisals and Inspections
- Appraiser Self-Protection: Documentation and Record Keeping
- Report Certifications: What Am I Signing and Why?
- Residential Report Writing vs Form Filling



These four-hour online courses are available for purchase via the Foundation website and are not eligible for continuing education credit.

These courses were originally designed to assist state appraiser regulators with education-related disciplinary actions. We have recently learned that providers of appraisal services that maintain panels or lists of appraisers, such as lenders and appraisal management companies, are interested in requiring their appraisers to attend these classes when warranted in order to remain in good standing with them.

### **Consistent Enforcement Task Force**

In 2009, The Appraisal Foundation established a Consistent Enforcement Task Force. The charge of this Task Force was to consider the need for developing a set of voluntary disciplinary guidelines for use by State Appraiser Regulatory Agencies when enforcing the *Uniform Standards of Professional Appraisal Practice* (USPAP).

A *Voluntary Disciplinary Action Matrix* was developed in August 2010 for use by state appraiser regulatory agencies. A copy of the document is available on our website and is currently being updated to reflect the 2018 edition of USPAP.

### **Foundation YouTube Channel**

The Appraisal Foundation has produced a number of informational videos for state regulators and consumers. All of our videos are currently included on our YouTube Channel and include topics such as USPAP Updates, an Overview of the State Regulatory System, Green Buildings and New Homebuyer Q&As. The Foundation plans to continue to add video clips to its YouTube channel in 2017 and 2018.

## KEY PERSONNEL

### **Thomas V. Boyer, Chair, Board of Trustees:**

Thomas V. Boyer (Tom) is the owner and operator of TVB Management Company, a farm management, appraisal and consulting firm. In addition, he is owner of Boyer Land and Livestock, registered Rambouillets and Meat Goats.

Tom has also served as the Executive Director of Lifelong Learning Center in Evanston, Wyoming as well as the Business, Finance & Economics Adjunct Professor, Western Wyoming College.

Tom is active in many organizations including the American Society of Farm Manager & Rural Appraisers (ASFMRA), of which he is a past President. In addition, he holds the AFM, ARA and AAC designations from the ASFMRA.

Tom holds a Bachelor's Degree in Agricultural Economics and a Master's Degree in Agribusiness from Brigham Young University.

### **David S. Bunton, President:**

Mr. Bunton has served as the senior staff member of The Appraisal Foundation since May of 1990. As President, he is the chief executive officer of the Foundation. Prior to joining The Appraisal Foundation, he served as the Vice President of Government Affairs and Communications for the Federal Asset Disposition Association. He also previously served as a legislative assistant in the United States Senate for eight years and was a Congressional Chief of Staff in the United States House of Representatives for four years.

Mr. Bunton holds a BA degree in Government and Politics from the University of Maryland.

### **Maggie Hambleton, Chair, Appraisal Standards Board:**

Maggie is president of Hambleton, Inc., a real property appraisal firm in Columbus, OH. She has been in practice for over 40 years, specializing in the valuation of residential properties, with an emphasis on litigation support. She holds the SRA designation from the Appraisal Institute. Her clients include banks, attorneys, city, county, state and federal agencies, and individuals.

She is a past member of the Ohio Real Estate Appraisal Board from November 2001 through June 2009, serving as its chair in 2006, 2008 and 2009. In addition to her daily appraisal practice, she is an AQB Certified USPAP Instructor, and has been active in teaching appraisal courses on a national level. She has been involved in education for appraisers for over 30 years, writing courses and assisting in the development of curriculum for the certification programs for appraisers. She has served as a developer for both the 7-Hour and 15-Hour USPAP courses since 2006. Mrs. Hambleton currently

serves as chair of the Appraisal Standards Board (ASB) of The Appraisal Foundation, and is in her sixth year as a member of the ASB.

**Joseph C. Traynor, Chair, Appraiser Qualifications Board:**

Joseph C. Traynor is a certified general appraiser in Indianapolis, Indiana and is the owner and president of Traynor & Associates, Inc. Traynor & Associates is a real estate valuation firm engaged in commercial and eminent domain valuation.

Traynor has served as the 1996 President as the Metropolitan Indianapolis Board of Realtors (MIBOR) and as the 2001 President of the Indiana Association of Realtors. Joe served as the 2003 Appraisal Chair for the National Association of Realtors (NAR) and was the Region 7 (Illinois, Indiana and Wisconsin) vice president in 2004. He was appointed by the NAR to the Appraisal Foundation's Board of Trustees in 2005 and served until December 2012. Joe served as the 2011 Chairman of the Appraisal Foundation's Board of Trustees.

Former Indiana Governor Mitch Daniels appointed Traynor to the Indiana Appraiser Certification and Licensure Board in 2006. He served as chairman of the board in 2008 and 2009 and served as a board member until 2014. He was appointed to the Appraiser Qualifications Board (AQB) for a three-year term in 2014.

**Kelly Davids, Vice President**

Kelly Davids assists in managing the day-to-day operations of the Foundation, leading special projects and focusing on strategic initiatives. Prior to joining the Foundation, Davids was Superintendent of the Ohio Division of Real Estate & Professional Licensing, the chief regulator for Ohio's appraisers. Her experience includes working in senior-level positions for two Ohio Governors and serving multiple terms in elected office. Davids holds a Master's degree in Public Policy and Management from The Ohio State University.

**John S. Brenan, Director of Appraisal Issues**

Prior to his current position, John spent 8 years as the Chief of Licensing and Enforcement for the California Office of Real Estate Appraisers (OREA). In that role, John administered the California real estate appraiser licensing program, issuing licenses to applicants that met both federal and state requirements. John was also responsible for the enforcement program; educating and/or disciplining licensees who violated law, regulations or USPAP.

John has been in the appraisal profession for over 30 years. Prior to joining OREA in February 1995, he appraised both residential and non-residential real estate, covering a wide variety of property types. He also previously managed an appraisal department for a major national financial institution. John is a Certified General appraiser and an AQB Certified USPAP Instructor.

A native Californian, John relocated from southern California to the Sacramento area in 1991. He holds a bachelor's degree in business administration from California State University, Long Beach, and an associate degree in business administration from El Camino Community College in Torrance.

**Edna Nkemngu, Director of Finance and Administration:**

Ms. Nkemngu has been part of The Appraisal Foundation since 2006 when she started as the Foundation's Staff Accountant. Prior to joining the Foundation, she interned at Deloitte Touche Tohmatsu Limited in Cameroon, and later served as an accountant at a small business in Cameroon. She holds a Bachelor's Degree in Accounting from the University of Buea in Cameroon, a Master's Degree in Accounting and Information Technology from the University of Maryland University College, and is a Certified Public Accountant licensed by the Commonwealth of Virginia.

## CONCLUSION

The Appraisal Foundation sincerely appreciates the financial support we have received from the Appraisal Subcommittee. Grant funds supporting the work of the Boards provide invaluable assistance and contribute greatly to the Foundation's ability to effectively serve the public. We are confident that the work of the Foundation supported by the 2017-2018 grant will be well received and will provide important assistance to appraisers, regulators, users of appraisal services and consumers.

## Grant Application Budget Worksheet Summary

The Appraisal Foundation 1155 15th Street, N.W. Suite 1111 Washington, DC 20005	October 1, 2017 - September 30, 2018			
Budget Category	AQB	ASB	INVESTIGATOR TRAINING	Total Budget Estimate
Personnel (Direct Labor)	\$99,269	\$105,913	\$17,981	\$223,164
Travel	\$80,760	\$54,320	\$218,100	\$353,180
Consultants	\$84,250	\$75,000	\$38,000	\$197,250
Contracts and Sub-Grants	\$50,000	\$0	\$0	\$50,000
Other Direct Costs	\$20,150	\$6,800	\$15,066	\$42,016
Indirect Costs **	\$115,121	\$122,826	\$20,853	\$258,800
<b>Total:</b>	<b>\$449,550</b>	<b>\$364,860</b>	<b>\$310,000</b>	<b>\$1,124,410</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

### Category: Appraiser Qualifications Board

1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	150	\$133.33	\$20,000
Director of Appraisal Issues	350	\$82.31	\$28,809
Qualifications Board Manager	1,200	\$42.05	\$50,460
<b>Total Direct Labor Cost</b>			<b>\$99,269</b>
<b>2. AV Rental For Meetings</b>			<b>Estimated Cost</b>
Included in Board Travel/Meeting Costs			\$0
<b>Total AV Rental for Meetings</b>			<b>\$0</b>
<b>3. Travel</b>			
<b>3a. Transportation - Airfare</b>			
	<b>Trips</b>	<b>Fare</b>	<b>Estimated Cost</b>
February DC Work Session - 8 Members + 2 Staff	10	\$500.00	\$5,000
Spring Board Meeting - 8 Members + 3 Staff	11	\$500.00	\$5,500
June/July Webinar - 2 Members + 1 Staff	3	\$500.00	\$1,500
September Board Meeting - 8 Members + 3 Staff	11	\$500.00	\$5,500
Board Member travel to four 1-day Speaking Engagements	4	\$500.00	\$2,000
Board Member travel for University Degree Program Reviews two for 3 Trips	6	\$500.00	\$3,000
Board Member travel for three Exam Site Visits	6	\$500.00	\$3,000
Board Chair travel to two 3-Day BOT Meetings	2	\$500.00	\$1,000
Board Chair travel to 1 IAC Meeting	1	\$500.00	\$500
<b>Subtotal - Transportation - Airfare</b>			<b>\$27,000</b>
<b>3b. Per Diem or Subsistence</b>			
	<b>Days</b>	<b>Rate per Day</b>	<b>Estimated Cost</b>
February DC Work Session - 8 Members + 2 Staff	30	\$260.00	\$7,800
Spring Board Meeting - 8 Members + 3 Staff	33	\$260.00	\$8,580
June/July Webinar - 2 Members + 1 Staff	7	\$260.00	\$1,820
September Board Meeting - 8 Members + 3 Staff	33	\$260.00	\$8,580
Board Member travel to four 1-day Speaking Engagements	4	\$260.00	\$1,040
Board Member travel for University Degree Program Reviews two for 3 Trips	6	\$260.00	\$1,560
Board Member travel for three Exam Site Visits	6	\$260.00	\$1,560
Board Chair travel to two 3-Day BOT Meetings	6	\$260.00	\$1,560
Board Chair travel to 1 IAC Meeting	1	\$260.00	\$260
<b>Subtotal - Per Diem or Subsistence</b>			<b>\$32,760</b>
<b>3c. Meeting Costs - Hotel Charges</b>			
	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>
February DC Work Session - 8 Members + 2 Staff	1	\$4,000.00	\$4,000
Spring Board Meeting - 8 Members + 3 Staff	1	\$5,000.00	\$5,000
June/July Webinar - 2 Members + 1 Staff + Registration	1	\$3,000.00	\$3,000
September Board Meeting - 8 Members + 3 Staff	1	\$5,000.00	\$5,000
Audio/Visual	2	\$2,000.00	\$4,000
<b>Subtotal - Meeting Costs</b>			<b>\$21,000</b>
<b>Total Travel Cost</b>			<b>\$80,760</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

### Category: Appraiser Qualifications Board

	Days	Rate per Day	Estimated Cost	
<b>4. Consultants</b>				
Board Chair	200	\$75.00	\$15,000	
Board Members - Criteria	750	\$75.00	\$56,250	
Subject Matter Experts for Exam Development	52.5	\$200.00	\$10,500	
Subject Matter Experts for Exam Development - 500 Questions @ \$5.00 each			\$2,500	
			\$0	
<b>Total Consultants Cost</b>			<b>\$84,250</b>	
<b>5. Contracts and Sub-Grantees (List individually)</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>	
Exam Psychometric Consultant			\$50,000	
<b>Total Subcontracts Cost</b>			<b>\$50,000</b>	
<b>6. Other Direct Costs</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>	
Legal	25	\$300.00	\$7,500	
Office Supplies			\$2,500	
Postage & Delivery			\$150	
Printing - Criteria Booklets			\$10,000	
<b>Total Other Direct Costs</b>			<b>\$20,150</b>	
<b>Subtotal of Direct Costs</b>			<b>\$334,429</b>	
<b>7. Indirect Costs</b>	<b>Type</b>	<b>Rate</b>	<b>Base</b>	<b>Estimated Cost</b>
Calculated on Labor Costs	<b>Fringe</b>	29.40%	\$99,269.00	\$29,185
Calculated on Labor Costs	<b>Overhead</b>	66.90%	\$128,454.09	\$85,936
<b>Total Indirect Costs</b>				<b>\$115,121</b>
<b>Total Estimated Costs (Subtotal Direct + Total Indirect)</b>				<b>\$449,550</b>

Summary of AQB Estimated Costs	Estimated Cost
Personnel (Direct Labor)	\$99,269
Travel	\$80,760
Consultants	\$84,250
Contracts and Sub-Grants	\$50,000
Other Direct Costs	\$20,150
Indirect Costs	\$115,121
<b>Total:</b>	<b>\$449,550</b>



## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

### Category: Appraisal Standards Board

1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
President	90	\$133.33	\$12,000
Director of Appraisal Issues	670	\$82.31	\$55,148
Standards Board Manager	1,400	\$27.69	\$38,766
<b>Total Direct Labor Cost</b>			<b>\$105,913</b>
<b>2. AV Rental For Meetings</b>			<b>Estimated Cost</b>
Included in Board Travel/Meeting Costs			\$0
<b>Total AV Rental for Meetings</b>			<b>\$0</b>
<b>3. Travel</b>			
<b>3a. Transportation - Airfare</b>	<b>Trips</b>	<b>Fare</b>	<b>Estimated Cost</b>
October 2017 Board Meeting - 8 Members + 3 Staff	11	\$500.00	\$5,500
March Board Meeting - 8 Members + 3 Staff	11	\$500.00	\$5,500
June/July Webinar - 2 Members + 1 Staff	3	\$500.00	\$1,500
Board Member travel to four 1-day Speaking Engagements	4	\$500.00	\$2,000
Board Chair travel to two 3-Day BOT Meetings	2	\$500.00	\$1,000
Board Chair travel to 1 TAFAC Meeting	1	\$500.00	\$500
Subtotal - Transportation - Airfare			\$16,000
<b>3b. Per Diem or Subsistence</b>	<b>Days</b>	<b>Rate per Day</b>	<b>Estimated Cost</b>
October 2017 Board Meeting - 8 Members + 3 Staff	33	\$260.00	\$8,580
March Board Meeting - 8 Members + 3 Staff	33	\$260.00	\$8,580
June/July Webinar - 2 Members + 1 Staff	6	\$260.00	\$1,560
Board Member travel to four 1-day Speaking Engagements	4	\$260.00	\$1,040
Board Chair travel to two 3-Day BOT Meetings	6	\$260.00	\$1,560
Board Chair travel to 1 TAFAC Meeting	1	\$260.00	\$260
Subtotal - Per Diem or Subsistence			\$21,320
<b>3c. Meeting Costs - Hotel Charges</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>
October 2017 Board Meeting - 8 Members + 3 Staff	1	\$5,000.00	\$5,000
March Board Meeting - 8 Members + 3 Staff	1	\$5,000.00	\$5,000
June/July Webinar - 2 Members + 1 Staff + Registration	1	\$3,000.00	\$3,000
Audio/Visual	2	\$2,000.00	\$4,000
Subtotal - Meeting Costs			\$17,000
<b>Total Travel Cost</b>			<b>\$54,320</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

**Category: Appraisal Standards Board**

4. Consultants	Days	Rate per Hour/Review	Estimated Cost	
Board Chair	250	\$75.00	\$18,750	
Board Members	750	\$75.00	\$56,250	
<b>Total Consultants Cost</b>			<b>\$75,000</b>	
5. Contracts and Sub-Grantees (List individually)	Quantity	Unit Cost	Estimated Cost	
<b>Total Subcontracts Cost</b>			<b>\$0</b>	
6. Other Direct Costs	Quantity	Unit Cost	Estimated Cost	
Legal	15	\$300	\$4,500	
Office Supplies			\$300	
Postage & Delivery			\$500	
Printing			\$1,500	
<b>Total Other Direct Costs</b>			<b>\$6,800</b>	
<b>Subtotal of Direct Costs</b>			<b>\$242,033</b>	
7. Indirect Costs	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	<b>Fringe</b>	29.40%	\$105,913.40	\$31,139
Calculated on Labor Costs	<b>Overhead</b>	66.90%	\$137,051.94	\$91,688
<b>Total Indirect Costs</b>				<b>\$122,826</b>
<b>Total Estimated Costs (Subtotal Direct + Total Indirect)</b>				<b>\$364,860</b>

Summary of ASB Estimated Costs	Estimated Cost
<b>Personnel (Direct Labor)</b>	<b>\$105,913</b>
<b>Travel</b>	<b>\$54,320</b>
<b>Consultants</b>	<b>\$75,000</b>
<b>Contracts and Sub-Grants</b>	<b>\$0</b>
<b>Other Direct Costs</b>	<b>\$6,800</b>
<b>Indirect Costs</b>	<b>\$122,826</b>
<b>Total:</b>	<b>\$364,861</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

### Category: Investigator Training

1. Personnel (Direct Labor)	Estimated Hours	Rate per Hour	Estimated Cost
Steering Committee/Oversight (President)	35	\$133.33	\$4,667
Steering Committee/Oversight (VP Operations)	35	\$70.51	\$2,468
Standards Administrator	310	\$27.69	\$8,584
Director of Publications	30	\$48.97	\$1,469
Meeting Planning	20	\$39.75	\$795
<b>Total Direct Labor Cost</b>			<b>\$17,981</b>
<b>2. AV Rental For Meetings</b>			<b>Estimated Cost</b>
Included in hotel charges			\$0
			\$0
			\$0
<b>Total AV Rental for Meetings</b>			<b>\$0</b>
<b>3. Travel</b>			
<b>3a. Transportation - Airfare</b>	<b>Trips</b>	<b>Fare</b>	<b>Estimated Cost</b>
Investigator Training Session	53	\$500.00	\$26,500
Investigator Training Session	53	\$500.00	\$26,500
Investigator Training Session (50 students, 2 instructors and 1 staff person)	53	\$500.00	\$26,500
Subtotal - Transportation - Airfare			\$79,500
<b>3b. Per Diem or Subsistence</b>	<b>Days</b>	<b>Rate per Day</b>	<b>Estimated Cost</b>
Investigator Training Session (3 days)	161	\$200.00	\$32,200
Investigator Training Session (3 days)	161	\$200.00	\$32,200
Investigator Training Session (3 days) (50 students, 2 instructors and 1 staff person)	161	\$200.00	\$32,200
Subtotal - Per Diem or Subsistence			\$96,600
<b>3c. Meeting Costs - Hotel Charges</b>	<b>Quantity</b>	<b>Unit Cost</b>	<b>Estimated Cost</b>
Investigator Training Session	1	\$11,000.00	\$11,000
Investigator Training Session	1	\$11,000.00	\$11,000
Investigator Training Session	1	\$11,000.00	\$11,000
Audio/Visual Rental for 3 Sessions	3	\$3,000.00	\$9,000
Subtotal - Meeting Costs			\$42,000
<b>Total Travel Cost</b>			<b>\$218,100</b>

## Grant Application Detailed Budget Worksheet

The Appraisal Foundation  
1155 15th Street, N.W. Suite 1111  
Washington, DC 20005

October 1, 2017 - September 30, 2018

**Category: Investigator Training**

4. Consultants	Days	Rate per Day	Estimated Cost	
Facilitators for 3 Classes	6	\$3,000.00	\$18,000	
Developer and Reviewer to update existing classes			\$20,000	
<b>Total Consultants Cost</b>			<b>\$38,000</b>	
5. Contracts and Sub-Grantees (List individually)	Quantity	Unit Cost	Estimated Cost	
<b>Total Subcontracts Cost</b>			<b>\$0</b>	
6. Other Direct Costs	Quantity	Unit Cost	Estimated Cost	
Printing of Training Materials	170	75	\$12,750	
Mailing of Training Materials	170	14	\$2,316	
<b>Total Other Direct Costs</b>			<b>\$15,066</b>	
<b>Subtotal of Direct Costs</b>			<b>\$289,147</b>	
7. Indirect Costs	Type	Rate	Base	Estimated Cost
Calculated on Labor Costs	<b>Fringe</b>	29.40%	\$17,981.40	\$5,287
Calculated on Labor Costs	<b>Overhead</b>	66.90%	\$23,267.93	\$15,566
<b>Total Indirect Costs</b>				<b>\$20,853</b>
<b>Total Estimated Costs (Subtotal Direct + Total Indirect)</b>				<b>\$310,000</b>

Summary of Investigator Training Estimated Costs	Estimated Cost
Personnel (Direct Labor)	\$17,981
Travel	\$218,100
Consultants	\$38,000
Contracts and Sub-Grants	\$0
Other Direct Costs	\$15,066
Indirect Costs	\$20,853
<b>Total:</b>	<b>\$310,000</b>

## Investigator Training – Info

### 2017 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	May 8-10, 2017	Tampa, FL	48 attendees 29 states	Tom Lewis, Larry Disney
Level 2	July 10-12, 2017	Tampa, FL	45 attendees 26 states	Dennis Badger, Don Rodgers, Deloris L. Kraft- Longoria
Level 3	Sept 11-13, 2017	Tampa, FL		Tom Lewis, Larry Disney, Craig Steinley

### 2016 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	May 23-25, 2016	St. Louis, MO	49 attendees 22 states	Tom Lewis, Larry Disney
Level 2	Aug 1-3, 2016	St. Louis, MO	34 attendees 24 states	Dennis Badger, Don Rodgers
Level 3	Sept 19-21, 2016	St. Louis, MO	37 attendees 22 states	Tom Lewis, Larry Disney

### 2015 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	March 9-11, 2015	San Antonio, TX	42 attendees 26 states	Tom Lewis, Larry Disney
Level 2	April 20-22, 2015	Salt Lake City, UT	37 attendees 22 states	Dennis Badger, Don Rodgers
Level 3	September 28- 30, 2015	Raleigh, NC	50 attendees 29 states	Tom Lewis, Maggie Hambleton

### 2014 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	May 19-21, 2014	Baltimore, MD	36 attendees 21 states	Larry Disney, Tom Lewis
Level 2	June 9-11, 2014	Dallas, TX	23 attendees 17 states	Dennis Badger, Don Rodgers
Level 3	Sept 8-10, 2014	San Diego, CA	39 attendees 22 states	Tom Lewis, Maggie Hambleton

### 2013 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	June 27-29	Denver, CO	46 attendees 30 states	Tom Lewis, Don Rodgers
Level 2	August 15-17	Chicago, IL	35 attendees 26 states	Dennis Badger, Larry Disney

### 2012 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	June 28-30th	Scottsdale, AZ	37 24 different states & territories	Dennis Badger, Nikole Avers
Level 2	Aug 16-18th	Tampa, FL	33 19 different states & territories	Tom Lewis, Larry Disney
Level 3	Offered in 2012	Video taping	34 - 7/11/12	Dennis Badger, Tom Lewis

### 2011 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	Sept. 29-Oct. 1	Chicago, IL	40 23 different states & territories	Dennis Badger, Tom Lewis
Level 2	Oct. 6-8 <sup>th</sup>	Scottsdale, AZ	23 16 different states & territories	Dennis Badger, Tom Lewis
Level 3	Taped in 2011	Video taping		Dennis Badger, Tom Lewis

### 2010 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	August 5-7 <sup>th</sup>	Chicago, IL	40 attendees 28 states	Dennis Badger, Tom Lewis
Level 2	September 9-11 <sup>th</sup>	Washington, DC	33 attendees 15 states	Dennis Badger, Tom Lewis
Level 2	October 28-30 <sup>th</sup>	Dallas, TX	40 attendees 21 states	Dennis Badger, Tom Lewis
Level 2	November 11-13 <sup>th</sup>	Scottsdale, AZ	40 attendees 24 states	Dennis Badger, Tom Lewis

### 2009 Investigator Training Courses

Course	Date	Location	Number of attendees	Instructors
Level 1	March 19-21 <sup>st</sup>	Scottsdale, AZ	37 attendees 10 states	Dennis Badger; Tom Lewis
Level 1	June 4-6 <sup>th</sup>	Dallas, TX	40 attendees 13 states	Dennis Badger, Tom Lewis
Level 1	August 6-8 <sup>th</sup>	Washington, DC	39 attendees 13 states	Dennis Badger, Tom Lewis
Level 1	November 12-14 <sup>th</sup>	Chicago, IL	40 attendees 13 states	Dennis Badger, Tom Lewis

Appendix II

Cumulative Statistics Through Level 1 in 2017			
	Level 1	Level 2	Level 3
Alabama	10	5	2
Alaska	4	2	
Arizona	25	15	2
Arkansas	6	3	2
California	19	18	9
Colorado	12	11	6
Connecticut	3	2	2
Delaware	11	5	
District of Columbia (DC)	4	1	
Florida	19	16	8
Guam	6	1	
Georgia	8	4	3
Hawaii	6	4	
Idaho	13		
Illinois	16	9	4
Indiana	12	8	1
Iowa	7	4	3
Kansas	10	7	4
Kentucky	14	10	4
Louisiana	10	9	4
Maine			
Maryland	5	4	4
Massachusetts	7	4	1
Michigan	12	3	1
Minnesota	11	9	2
Mississippi	8	5	3
Missouri	2	4	3
Montana	12	3	1
Nebraska	11	6	1
Nevada	3	1	
New Hampshire	18	11	7
New Jersey	4	5	1
New Mexico	6	2	
New York	11	8	4
North Carolina	4	4	3
North Dakota	8	5	4
Ohio	17	10	4
Oklahoma	6	3	1



Oregon	8	6	2
Pennsylvania	8	1	
Puerto Rico	2	2	1
Rhode Island	1		
Saipan	1		
South Carolina	5	3	3
South Dakota	8	7	5
Tennessee	11	8	3
Texas	17	14	6
U.S. Virgin Islands	4	3	
Utah	5	4	
Vermont	8	5	
Virginia	13	8	
Washington	13	12	5
West Virginia	7	2	1
Wisconsin	7	1	1
Wyoming	3	3	1
<b>TOTAL</b>	<b>481</b>	<b>344</b>	<b>122</b>
Unique States or Territories	<b>54</b>	<b>51</b>	<b>39</b>





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

## Memorandum

To: Appraisal Subcommittee

From: Jim Park, Executive Director

RE: Proposed Fiscal Year 2018 Budget

Date: August 30, 2017

---

### **Fiscal Year 2018 (FY18) Budget Proposal Summary**

- Projected Revenue (less PAYGO) – \$3,480,000
- Operating Expenses – \$2,973,515
- Appraisal Foundation Grant –\$350,000
- State Grant (Investigator Training) – \$310,000
- Projected Net Loss – (-\$153,515)
- Projected Net Assets (reserves end of FY17) – \$4,479,888
  - 16.3 mos. Reserves (Operating expenses + State grant)
- Projected Net Assets (reserves end of FY18) – \$4,326,373
  - 15.8 mos. Reserves (Operating expenses + State grant)

### **Revenue**

FY18 gross revenue is projected to be \$3,840,000 less an anticipated PAYGO deduction of \$360,000 resulting in net revenue of \$3,480,000. This projection is based on the following assumptions:

- Annual Appraiser Registry fee of \$40 per appraiser credential
- An average of 96,000 credentials on the Appraiser Registry throughout FY18
- No AMC Registry fees collected in FY18.

Although the number of credentials on the Appraiser Registry has declined approximately 2% annually since 2010, it appears this decline may be leveling off. There were 95,222 credentials on the registry in July 2016 and 96,665 in July 2017 which is a 1.5% increase. We are projecting an average of 96,000 credentials on the Appraiser Registry in FY18.

## **ASC Operating Expenditures**

### **Personnel Compensation**

The Budget Proposal for FY18 includes 13 full-time employees (FTEs), which anticipates the addition of one FTE to be added during the last quarter of FY18. A cost of living increase of 1.9% has been included in the salary projections. This is based upon the President's 2018 Budget Proposal, and includes within grade increases of seven staff based on the dates of their projected increases.

\$10,500 is budgeted for ASC staff training in FY18 representing a 4% decrease compared to the FY17 training budget of \$11,000. The projected total expenditure for FY17 training is \$4,200 or 39% of budget. Training costs for FY17 were less than anticipated due to scheduling conflicts and increased online training usage instead of actual classroom settings.

Individual Performance Awards (cash awards) of \$30,831 were paid during FY17. The cash awards budget for FY17 was \$21,045 based on the FY16 Guidance on Awards. The FY17 Guidance on Awards issued in November 2016 was less restrictive than in previous years. \$35,419 is proposed for cash awards in the FY18 budget based on the FY17 Guidance on Awards.

### **Personnel Benefits**

FY17 personnel benefits (*i.e.*, health insurance, retirement and the monthly public transportation subsidy) accounted for approximately 23.6% of total agency personnel services. For FY18, we are proposing a slight increase to 25% for personnel benefits.

A transportation subsidy reduction to \$10,350 is proposed for FY18 for 6 staff persons. This represents a 26% decrease from the FY17 budget that included 9 staff persons.

### **Transportation of Things**

This expenditure includes costs for courier deliveries and UPS shipping services under the GSA Domestic Delivery Services contract. In FY17, we estimated \$1,400 due to anticipated increases in publication notices related to rulemaking. However, due to increased transmission of documents electronically and no rulemaking activity, the proposed cost of these services will be less than anticipated. For FY18, although we anticipate increased activity in rulemaking and publication notices, we have reduced our estimate for the transportation of things to \$900, or 35% less than the FY17 budgeted amount of \$1,400.

## Special Projects

### **Dodd-Frank Hotline**

In FY17, the monthly expenses were \$265 and we anticipate the same for FY18.

### Travel

As in previous years, most travel is related to oversight of the State appraiser regulatory programs and monitoring of the Appraisal Foundation. In FY17, we budgeted 134 trips at \$1,400 per trip. We project 115 will be taken. For FY18, we are budgeting 111 trips at the same \$1,400 per trip. In FY17, \$150,000 in travel expenses are projected which is approximately \$42,000 or 22% below budget for FY17. This is mainly due to rescheduled and/or canceled trips.

In FY17, \$410 and \$3,790 were budgeted for local travel and car rental respectively; similar expenses are proposed for FY18. Compliance Reviews of Guam and CNMI are scheduled for FY18 at an anticipated cost of \$8,500.

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
						(C)+(D)+(E)	(A)*(F)				(G)+(H)+(I)
	No. of Trips	Average # of Days	Airfare	Hotels	M&IE	Average Cost Per Trip	Sub-Total Expense	Local Travel	Car Rental	Guam & CNMI *	Total Expense
FY 17 Travel Expenses (Budgeted)	134	4	\$410	\$535	\$455	\$1,400	\$187,600	\$410	\$3,790	\$0	\$191,800
FY 18 Travel Expenses (Budgeted)	111	3.75	\$525	\$375	\$500	\$1,400	\$155,400	\$450	\$3,500	\$8,500	\$167,850

The table above presents a summary of the FY17 and FY18 budgets for travel.

In summary, for FY18 we estimate the following:

- \$1,400 average trip expense
  - \$525 average air fare charges
  - \$375 for an average hotel stay consisting of 3.75 nights at \$100 per night
  - \$500 for Meals and Incidental Expenses (M&IE) consisting of \$100 per day for 5 days

In comparison, the FY17 budget included the following:

- \$1,400 average trip expense
  - \$410 average air fare charges
  - \$535 for an average hotel stay consisting of 4 nights at \$134 per night
  - \$455 for M&IE consisting of \$91 per day for 5 days

<b>FY18 Travel</b>			
<b>Trips</b>	<b>Persons</b>	<b>Total Trips</b>	<b>Purpose</b>
<b>25</b>	<b>2</b>	<b>50</b>	Compliance Reviews - 3 days, 2 people
2	1	2	Follow-up Compliance Reviews
2	1	2	Supervising/Compliance - Jim (2 nights)
6	1	6	Supervising/Compliance - Denise(5)/Other(1)
6	1	6	Priority Contacts/EWS
2	3	6	Policy Manager meetings in DC
7	2	14	Appraisal Foundation Meetings ( ASB, AQB, BOT)
1	11	11	Conference Attendance (AARO-Spring)
1	2	2	Conference Attendance (AARO-in DC)
2	1	2	ARELLO Mid-Year and Annual Conference
5	1	5	State Investigator Training
5	1	5	Speaking Engagements
		<b>111</b>	

The table above presents a summary of anticipated FY18 trips, including:

*Compliance Reviews:* 25 State Compliance Reviews are budgeted. Each Compliance Review includes two Policy Managers. Additionally, eight supervisory trips are budgeted for the Executive Director, Deputy Executive Director and Attorney-Advisor.

*Follow-up Reviews:* Two Follow-up Reviews are anticipated in FY18 as compared to three in FY17.

*Priority Contacts/EWS:* Six Priority Contact visits are anticipated in FY18 compared to twelve in FY17.

*Policy Manager Meetings in DC:* Two Policy Manager meetings will be held in DC in FY18. These meetings will each be two days in length and will require travel for three Policy Managers. The other staff required to attend are in the local area.

*Appraisal Foundation Meetings (ASB, AQB, and BOT):* Seven Appraisal Foundation board meetings are scheduled for FY18. Two ASC staff members will monitor those meetings.

*Conference Attendance:* The FY18 budget includes travel for two out-of-town staff to attend the Association of Appraiser Regulatory Officials (AARO) Fall 2017 AARO Conference in DC. The other eight staff will not require reimbursement for travel since they are in the local area. Eleven staff persons will attend the Spring 2018 AARO

Conference in Seattle, WA. One staff member is budgeted to attend the Mid-Year and Annual Conference of the Association of Real Estate Licensing Law Officials.

*State Investigator Training:* The budget includes travel for three State Investigator Training Courses. Two staff will attend two of the three courses and one staff will attend all three courses.

*Speaking Engagements:* As in FY17, five out-of-town speaking engagements are budgeted in FY18.

## **Rent, Communications and Utilities**

### **Rent**

FY18 will be the final year of a ten-year lease for our office space. The FY18 lease rate is \$20,474 per month or \$245,688 annually.

### **Telephone Service (Office, cellular, fax)**

Telephone service charges for FY18 are budgeted at \$38,080 representing a 7% increase over the FY17 amount of \$35,514.

### **Postage**

For FY18, we anticipate postage expenses to be like those in FY17.

### **Westlaw**

This service provides legal research tools. A 3% increase in the cost of this service is anticipated. Therefore, \$10,915 is budgeted for FY18 compared to \$10,597 in FY17.

### **Parking**

Two parking spaces are provided to staff, totaling \$588 per month.

## **Printing and Reproduction**

Printing expenses in the *Federal Register* for FY18 are estimated to be \$10,000. The ASC publishes ASC Meeting Notices, and may be publishing additional items this year related to rulemaking. An additional \$2,000 is budgeted for printing in the Code of Federal Regulations.

The copy machine lease and copying expenses for FY18 are estimated at \$4,500. FY18 printing expenses of \$19,500 includes \$14,000 for printing and layout of the Annual Report, \$5,000 for rulemaking printing and publication costs in the *Federal Register* and \$500 for other miscellaneous printing jobs such as business cards.



## **Contracted Services**

### **GSA**

Although no specific pricing details have been provided by GSA/USDA, we anticipate the expenses for financial services to increase slightly in FY18. Therefore, the proposed budget reflects the cost for these services in FY18 at \$73,561, which accounts for a 2% increase over the FY17 budget of \$71,976.

### **OPM Survey**

OPM mandated Annual Employee Survey for FY18 is estimated at \$5,000. For FY17, this expenditure is projected to be paid from the Miscellaneous line item category at the same amount.

### **ASC Audit and Appraisal Foundation Grant Review**

Based on prior years' cost increases, we anticipate an approximate 3% increase for the ASC annual audit, increasing the cost in FY18 to approximately \$20,157. We also anticipate an increase of 3% in FY18 for the Appraisal Foundation Grant Review to \$7,957, a slight increase from the \$7,725 paid in FY17.

### **2018 Moving Expense**

The ten-year office lease for the ASC expires October 31, 2018. We are currently negotiating with GSA to acquire new office space and expect to finalize this procurement by the fourth quarter of FY18. Although we anticipate most expenses associated with relocation to be incurred in FY19, we are budgeting \$20,000 in FY18 to cover possible costs related to transition infrastructure (*e.g.*, build-out space, wiring, etc.).

### **Contracted Legal Services**

During FY17, the Attorney-Advisor FTE position was vacated and has since been filled. For FY18, there is no longer a need for Contracted Legal Services. Therefore, no amount is budgeted for this line item.

### **Federal Docket Management System (FDMS)**

ASC has a Memorandum of Understanding with the FFIEC to share the costs of the FDMS at 50% of the total amount. For FY18, we are budgeting \$5,500 as the ASC share of this service.

## IT Services

### IT Contracted Services

FY18 IT Contracted Services are estimated at \$125,788. In FY17 \$181,008 was budgeted and we anticipate \$127,886 to be realized. Included in these services are the following:

- **Website Hosting, Internet Connectivity and Managed DNS Services:** The FY18 Budget Proposal contains \$32,688, or \$2,724 per month, to host the ASC Website and provide internet service. The amount budgeted for this service in FY17 was \$37,108 or \$3,092 per month. This represents a 12% decrease over FY17.
- **Help Desk Services:** For FY18, \$50,400 is budgeted for the ASC IT contractor to provide help desk services as we expect an increase in these services due to the more robust reporting and monitoring of the Appraiser Registry. This amount represents a 20% increase over the FY17 budgeted amount of \$42,000.
- **Website Maintenance:** We anticipate \$25,200 in FY18 for this service. This expense is budgeted at 16% less than the FY17 budgeted amount of \$30,000 due to the overall improvement of the operational system by recapitalization of all hardware and redesign of the entire network.
- **Minor Projects:** For FY18, a contingency amount of \$17,500 is budgeted to cover unanticipated expenses incurred for work not covered under the Firm-Fixed Price contract or IT Projects line item categories.

### Hardware

FY18 hardware costs (printers, keyboards, monitors, etc.) are estimated at \$2,500. This line item represents 37% less than the FY17 budget of \$4,000 and is largely because additional staff was not hired.

### License Renewals

The proposed amount of \$18,470 for FY18 License & SSL is significantly higher than the FY17 budgeted amount of \$1,724 due to added services provided by On Par Technologies (our Office 365 provider) and realignment of IT costs belonging in this category.

- **On Par Technologies, Verisign:** The FY18 Budget Proposal contains \$12,000 for renewal of Office 365 cloud-based computer operating system services. \$4,420, or \$368 monthly, is budgeted for Verisign domain name and internet security service.
- **GSA, LogMeIn, Lynda Training:** The FY18 Budget Proposal contains \$450 for GSA-provided domain registration, \$1,300 for LogMeIn remote computer access and \$300 for Lynda online training.

## **IT Projects**

### **Unique Identifier Number/SOAP State Consultation:**

For FY18, staff estimates \$21,000 to assist States with implementation and utilization of the unique identification number for the Appraiser Registry.

### **National Registry of AMCs:**

For FY18, staff estimates \$66,500 to complete the work on the National Registry of AMCs.

### **Policy Manager Software Development (Phase II):**

In FY17, \$15,000 was budgeted for this line item. However, due to cost overages in other IT Projects, this project was put on hold with actual costs incurred of \$1,130. For FY18, no funds are budgeted for this project because it is still under business analysis review internally by ASC staff.

## **Supplies**

Office supplies expenses are projected at \$12,000 for FY18, representing a 25% decrease over the FY17 budgeted amount of \$16,000.

## **Miscellaneous**

The budgeted amount for FY18 is \$14,400. This covers conference registrations such as the AARO spring and fall conferences.

## **Federal Grants**

### **Foundation Grant**

ASC staff recommends \$350,000 as the FY18 Foundation Grant budget. The Foundation requested \$814,000 in grant funding to cover grant-eligible expenses for the AQB and ASB.

### **State Grant**

ASC staff recommends \$310,000 as the FY18 State Grant budget. This is based on the expense estimates provided by the Foundation in their FY18 Grant Proposal to fully fund the Investigator Training Program. The ASC has historically supported fully funding the Investigator Training Program as a very successful program since first administered by the Foundation in 2009 when only Level I Investigator Training courses were offered. Since 2011, it has grown to provide Investigator Training courses up to Level III, offering more comprehensive course content in addition to advanced learning materials. Survey results from the course participants have produced highly favorable ratings.

**Sequestration**

Per the Office of Management and Budget (OMB), sequestration for FY18 will be 6.6% of available cash receipts. Applying the 6.6% sequestration against the estimated available receipts for FY18 of \$3,480,000 would produce a FY18 sequestered amount of \$229,680. For FY17, we applied the sequestration rate of 6.9% of available cash receipts against the projected available receipts for FY17 of \$3,451,725. This produced a FY17 sequestered amount of \$238,169. The amount of total receipts consists of payments remitted by the States for registry fee payments during a given fiscal year (including incremental and deferred amounts). The total of available receipts consists of receipts collected, less the PAYGO requirement amount (25% of the \$15 incremental fee). All funds sequestered from the ASC are available in subsequent fiscal years.

**Conclusions**

The FY18 Budget Proposal indicates a net loss of (\$153,515) after the recommended State and Foundation Grant budgets. Overall operating expenses are projected to be 7% less than the projected expenditure totals for FY17, with total expenses 5.8% less than FY17. Savings in the FY17 Budget have largely been incurred in the areas of personnel and travel. The approved FY17 Budget originally projected a net loss of (\$405,622). Analysis of the ASC’s expenses and revenue through July 2017, indicate a net loss of approximately (\$286,187) for FY17.

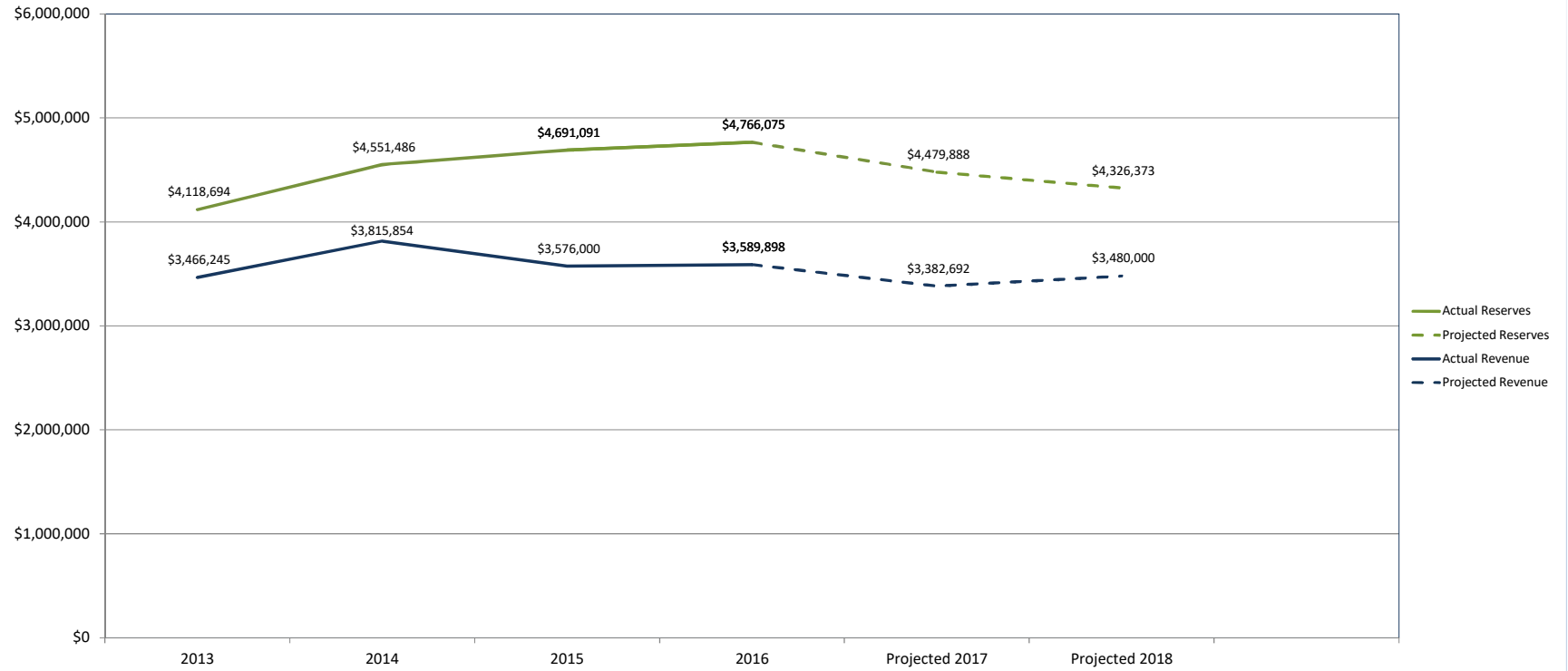
---

Attachments:

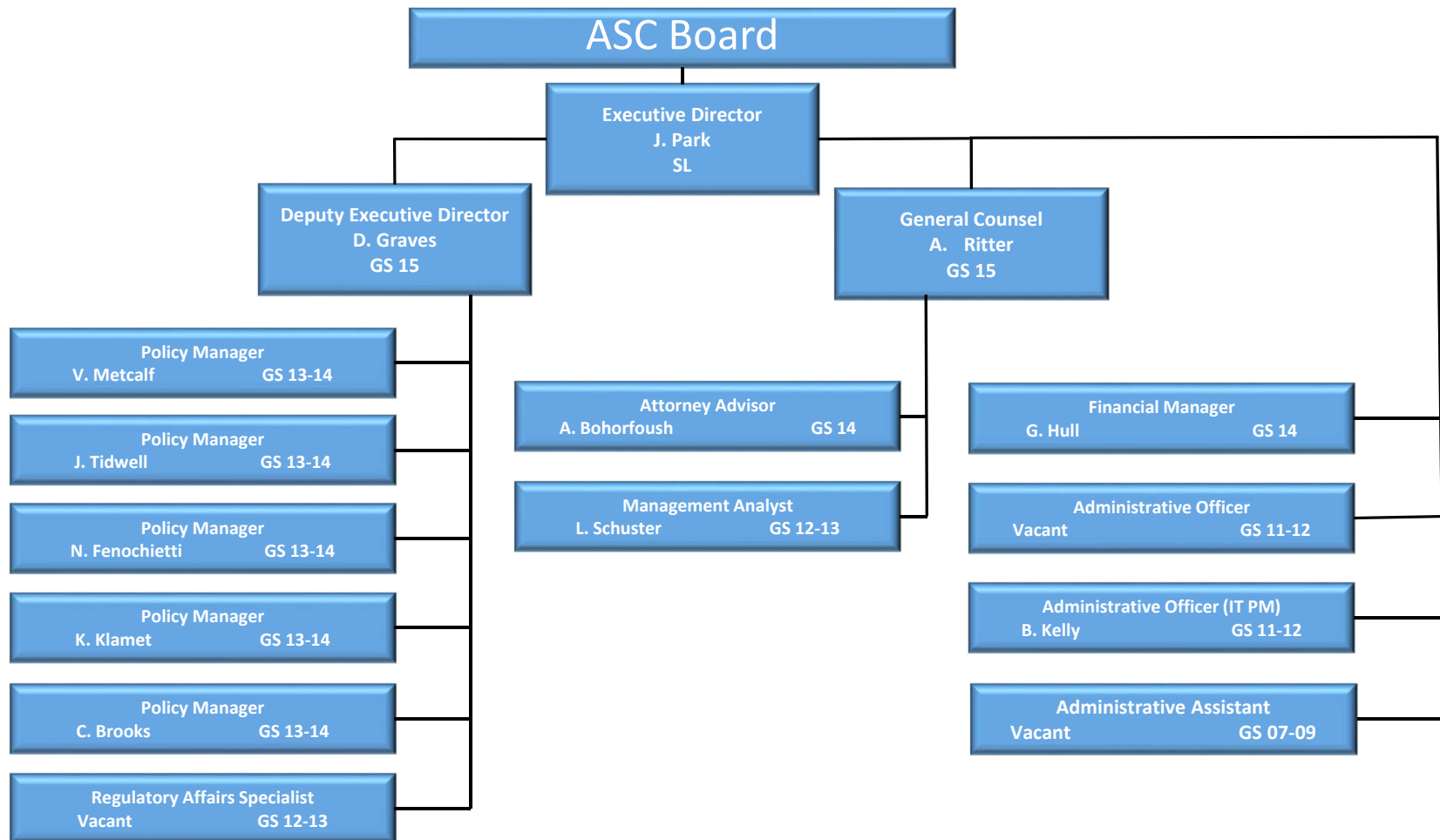
- FY18 Proposed Budget Spreadsheet
- ASC Reserves and Revenue Charts 2013 – 2018
- ASC Staff Organizational Chart



### Appraisal Subcommittee Reserves & Revenue (2013 - 2018) (includes grants)



# Appraisal Subcommittee Organizational Chart



**FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL**

**12 CFR Part 1102**

[Docket No. **Insert**]

**Final Rule to Implement Collection and Transmission of Annual AMC Registry Fees**

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

**ACTION:** Final Rule

**SUMMARY:** The ASC is adopting a final rule to implement collection and transmission of appraisal management company (AMC) annual registry fees in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) to be applied by State appraiser certifying and licensing agencies that elect to register and supervise AMCs, pursuant to 12 U.S.C. 3353 and the regulations promulgated thereunder.

**DATES:**

Effective date. This final rule will become effective on [INSERT 60 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**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**



Section 1473 of the Dodd-Frank Act<sup>1</sup> included amendments to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989<sup>2</sup> (Title XI). Section 1109 of Title XI,<sup>3</sup> *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, was amended by the Dodd-Frank Act to require States<sup>4</sup> 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. Such \$25 amount 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>5</sup>

Section 1117 of Title XI,<sup>6</sup> *Establishment of State appraiser certifying and licensing agencies*, was amended by the Dodd-Frank Act to include additional duties for States, if they so choose, to: (1) register and supervise AMCs; and (2) add information about AMCs in their State to the

---

<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376.

<sup>2</sup> Pub. L. 101-73, 103 Stat. 183.

<sup>3</sup> 12 U.S.C. 3338.

<sup>4</sup> As of January, 2017, 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.

<sup>5</sup> See 12 U.S.C. 3338(a)(4)(B).

<sup>6</sup> 12 U.S.C. 3346.

National Registry of AMCs (AMC Registry).<sup>7</sup> States electing to register and supervise AMCs under Section 1117 must implement minimum requirements in accordance with the AMC Rule.<sup>8</sup>

Section 1103 of Title XI,<sup>9</sup> *Functions of Appraisal Subcommittee*, was amended by the Dodd-Frank Act to require the ASC to maintain the AMC Registry of those AMCs that are either:

(1) registered with and subject to supervision by a State that has elected to register and supervise AMCs; or (2) are operating subsidiaries of a Federally regulated financial institution (Federally regulated AMCs). 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) with the effective date for compliance.

Title XI as amended by the Dodd-Frank Act imposes a statutory restriction on performance

---

<sup>7</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, who are 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>8</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, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (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>9</sup> 12 U.S.C. 3332.

of services by AMCs for a federally related transaction (FRT)<sup>10</sup> that applies after a 36-month period that began when the AMC Rule became effective (Implementation Period).<sup>11</sup> The ASC recognizes that States electing to register and supervise AMCs may need to amend their rules and/or regulations, or revise their operating procedures in order to implement AMC registry fees. Given the limited period of time between publication of this final rule and the expiration of the Implementation Period, States may not be able to implement the AMC registry fees within the Implementation Period. As discussed further below in the subsection *Collection and transmission of annual AMC registry fees*, only those AMCs whose registry fees have been transmitted to the ASC are eligible to be on the AMC Registry. While the ASC encourages States that elect to register and supervise AMCs to begin collecting fees from registered AMCs as soon as possible in accordance with the requirements of Section 1109 of Title XI so that those AMCs may be entered on the AMC Registry, the restriction on performance of services for FRTs will not impact an AMC so long as the AMC is registered with a State that has elected to register and supervise AMCs, or is subject to oversight by a Federal financial institutions regulatory agency.

On May 20, 2016, the ASC published a proposed rule with a 60-day public comment period on implementation of the annual AMC registry fee that States would collect and transmit to the

---

<sup>10</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), implemented by the OCC: 12 CFR 34.42(f) and 34.43(a); Board: 12 CFR 225.62(f) and 225.63(a); FDIC: 12 CFR 323.2(f) and 323.3(a); and NCUA: 12 CFR 722.2(f) and 722.3(a)]. Based on 2014 Home Mortgage Disclosure Act (HMDA) data, at least 90 percent of residential mortgage loan originations are not subject to the Title XI appraisal regulations. (FFIEC report to Congress, *Economic Growth and Regulatory Paperwork Reduction Act*, 82 *Federal Register* 15900 (March 30, 2017).

<sup>11</sup> 12 U.S.C. 3353(f)(1). 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 FRTs in a State unless the AMC is registered with the State pursuant to a registration and supervision program established under Section 1117, or is subject to oversight by a Federal financial institutions regulatory agency.

ASC if they elect to register and supervise AMCs.<sup>12</sup> This final rule sets the fee formula that States would apply in collecting annual AMC registry fees and transmitting those fees to the ASC.

## **II. The Final Rule**

The final rule: (1) establishes the annual AMC registry fee in section 1109 of Title XI for AMCs in those States electing to register and supervise AMCs; and (2) implements collection and transmission of AMC registry fees as required by section 1109. The final rule sets forth the ASC's interpretation of the phrase "working for or contracting with" for purposes of calculating the annual AMC registry fee.

For the reasons discussed in section III of this SUPPLEMENTARY INFORMATION, the final rule adopts the rule substantially as proposed. The final rule contains technical, nonsubstantive changes.

## **III. The Final Rule and Public Comments on the Proposed Rule**

The following is a section-by-section review of the proposed rule and a discussion of the public comments received by the ASC concerning the proposal. The ASC received 104 comment letters in response to the published proposal. These comment letters were received from State appraiser certifying and licensing agencies, AMCs, appraiser and real estate trade associations, professional associations, appraisal firms and appraisers.

### *A. Section 1102.401. Definitions*

The ASC requested comment on all aspects of the proposed rule. The following is a discussion of the definitions, related public comments and issues relating to those definitions.

---

<sup>12</sup> 81 FR 31868 (May 20, 2016).

Definitions on which the ASC did not receive comment are not discussed below and are adopted without change in the final rule.

The ASC is adopting the definitions substantially as proposed, including cross-references to the definitions established in the AMC Rule. Several commenters requested that the cross-referenced definitions be included in the final rule rather than as proposed by cross reference to definitions in the AMC Rule. However, in the event those definitions are amended by the interagency process in the future, definitions cross-referenced in this rule would become inaccurate and inconsistent. To avoid that circumstance, the ASC is adopting the definitions as proposed with cross-reference to those definitions established by the AMC Rule.

One commenter expressed concern over the definition of “appraiser panel” stating AMCs should not be penalized over other providers of appraisal services, and included discussion on appraisal firms and AMCs. This commenter quoted language from the AMC Rule on appraisal firms. Another commenter expressed concern that the definition of “appraiser panel” should only include independent contractors and not employees. The issues raised by these commenters were determined in the interagency AMC Rule during that rulemaking process.

Proposed § 1102.401(d) defined *performance of an appraisal*. Proposed § 1102.401(d) is being corrected to define *performed an appraisal*, which conforms to the actual phrase used throughout the rule, to mean the appraisal service requested of an appraiser by the AMC was provided to the AMC. The ASC is adopting this definition without substantive change as § 1102.401(d) in the final rule. One commenter questioned whether this referred to initial submission of the report or when the appraisal has been reviewed and accepted by the client in its final form. The ASC recognizes that the issue may be complicated by the ongoing debate within the profession concerning when an appraisal is complete. The ASC is adopting the

definition as proposed, intending for the terms to remain subject to a plain English interpretation. Another commenter requested a definition of “appraisal service” be included in the final rule. The ASC recognizes that various appraisal services could be requested, including an appraisal review, and therefore declines to define the phrase, recognizing that States can be more restrictive. In general, commenters supported the proposed definition.

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

The ASC is adopting proposed § 1102.402 without change. Section 1102.402 establishes 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.

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, but where such \$25 amount may be adjusted up to a maximum of \$50.<sup>13</sup> The final 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 during the previous year in a particular State.

---

<sup>13</sup> Title XI § 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

For AMCs that have not been in existence for more than a year, the statute requires a determination by the ASC of an appropriate multiplier to calculate registry fees for those AMCs. The ASC proposed 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. For example, if an AMC has been operating for 6 months, the fee would be calculated by multiplying \$25 by the number of appraisers that performed an appraisal for the AMC on a covered transaction during that 6-month period.

One commenter stated the ASC should identify what it will do with revenue from AMC registry fees and suggested the ASC should consider decreasing the fee to less than \$25 which would still allow the ASC plenty of funds to perform its Title XI-related functions. The commenter asserted the ASC has discretion to do so. However, section 1109(a)(4), by its plain terms, sets the minimum fee allowed under the statutory framework at \$25. The statute did provide latitude for the ASC to establish an appropriate number to multiply by \$25 for AMCs that have not been in existence for a year. Using the actual period of time since the AMC commenced doing business will reduce the registry fee for those new AMCs while maintaining some consistency in the calculation of AMC registry fees to reduce administrative burden for the States. Based on the ASC's anticipated costs of overseeing States that elect to register and supervise AMCs, as well as the ASC's anticipated costs of maintaining the AMC Registry, the ASC believes the proposed annual AMC registry fee would cover those costs while supporting other Title XI functions of the ASC as mandated by Congress, and in particular, further development of its grant programs, particularly to support States as funds are available.

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 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. One commenter stated this option would likely penalize AMCs for adding appraisers to their roster for future use, and would also be burdensome for States. Another commenter stated the interpretation under the first option would be the easiest for States. The ASC remains concerned that this option would impose the most burden to AMCs and impose the highest registry fees.

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 reporting period in a particular State. Under this option, those appraisers engaged by the AMC to perform an appraisal, regardless of whether the appraiser completed the appraisal during the reporting period, would be included in the calculation of the AMC’s registry fees.

The ASC requested comment on the second option’s interpretation of the phrase “working for or contracting with” and whether this would be an easier interpretation for the States to administer. (*See* Question 3 in the proposal.) Several commenters expressed concern over this option. One commenter stated that AMCs could reduce their panel sizes, thereby creating slower turnaround times and utilizing fewer appraisers. Another commenter stated the interpretation

---

<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.



under the second option would not be easier to implement and States would have to rely on AMCs self reporting this information. Another commenter expressed concern that the second option could penalize AMCs if an order is accepted and assigned but later cancelled and neither the AMC or the appraiser receive any compensation, and could also be burdensome for States to enforce without having a status of assignments and their completion during a given timeframe.

Under the third option, which is adopted in the final rule, the phrase “working for or contracting with” includes those appraisers that performed an appraisal for the AMC on a covered transaction during the reporting period in a particular State. This option excludes 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 an appraiser being counted twice in calculating the fee, regardless of how many appraisals that appraiser performed in a single State during a reporting period. A few commenters misunderstood the proposed application of the fee and thought the fee would be calculated based on the total number of individual appraisers on an AMC panel, or that the fee would be imposed based on individual appraisals, neither of which is consistent with the proposal or the final rule.

Several commenters expressed support for the third option as having the least economic impact to an AMC, the least burden for appraisers and preferable from a State administrative point of view. A few commenters expressed support for the third option but believed it would be a burden for States to collect information from AMCs. One commenter, while stating the third option is costly to AMCs, stated that the third option would be the most equitable as it applies to those appraisers who had completed appraisal assignments, and that the first two options may cause AMCs to pare their appraiser panels. One commenter stated the third option would also

simplify the queries that States would need to run to report all registered AMCs that have completed appraisal reports during a specific year or timeframe. Another commenter stated AMCs may use fewer appraisers for appraisal assignments to keep AMC registry fees down. The ASC anticipates there may well be such responses by AMCs to reduce their registry fees, but under the statutory framework, it is seemingly unavoidable.

The ASC requested comment on the ASC's interpretation of the phrase "working for or contracting with." (*See* Question 2 in the proposal.) One commenter expressed concern that for AMCs in business less than 12 months, determining how many appraisals have been performed could be difficult. Another commenter suggested "working for" and "contracting with" should be properly defined with specifics and parameters. One commenter requested clarification of the term "working for," and another commenter, while supporting the third option, commented the term "performed" needs clarity, suggesting appraisals could be considered "performed" when delivered by the AMC to the client. The ASC recognizes that because the AMC is acting as an agent of the appraiser's client, delivery of an appraisal to the AMC could also be deemed delivery to the client. The ASC is adopting the interpretation as proposed, intending for the terms to remain subject to a plain English interpretation.

The ASC also requested comment on what aspects of the proposed rule, if any, would be challenging for States to implement and any alternative approaches that would make implementation easier, while maintaining consistency with the statute. (*See* Question 8 in the proposal.) Several commenters expressed concern that the proposed rule would create significant administrative burden on the State to calculate and verify registry fees, and would also result in expenditures to administer and transmit the registry fees. Some commenters are opposed to the fee in general, while a few expressed opposition to AMCs. A few commenters

suggested no action should be taken until the Dodd-Frank Act is amended. One commenter stated the ASC should seek legislative changes to 12 U.S.C. 3338 asserting it is fundamentally flawed, and requested withdrawal of the proposed rule until the federal statute is changed. The ASC, however, is charged with implementation of the statute as passed by Congress.

One commenter stated that the 500 hours of regulatory burden is understated, and added States should be reimbursed for expenses in collecting and transmitting registry fees. Another commenter also stated that the 500 hours is underestimated stating the ASC failed to consider administrative costs and expenses for creating and maintaining a database, and for the staff time to run the program. The ASC is working to minimize such burden in simplifying the reporting requirements for AMCs. As stated in the proposal, the ASC will issue a Bulletin to address reporting requirements with the effective date for compliance.

Another commenter foresees several barriers to collecting reliable data on how many appraisers are on an AMC panel and how many have done work for the AMC in the previous 12 months, including the necessity to adopt new rules, create new forms and update current IT systems to collect and maintain this data, all of which will result in increased labor costs for staff needed for implementation of the proposed rule. As stated in the proposed rule, the ASC anticipates further development of its grants program, particularly in support of the States as funds are available. The statutory purpose of ASC grants to the States is to provide funds to assist States in compliance with Title XI. Therefore, as funds are available, the ASC could consider establishing a grant to assist States in registry reporting requirements and transmission of registry fees for both appraisers and AMCs. Another commenter suggested the ASC should provide a revenue projection as well as costs to develop the AMC Registry. The ASC has included those expenses in its budget process and will continue to do so on an annual basis.

Another commenter opposed the interpretation of "working for or contracting with," stating it will create an entirely new regulatory criterion for States to implement and validate, thereby requiring audits. It should be noted that there is no federal requirement for States to audit AMCs to determine validity of information submitted to the State. A State may determine to periodically audit, or not to exercise such authority at all, or alternatively, a State may rely on the complaint/investigation process to determine if and when an audit is warranted.

By far the majority of comments received expressed concern over these additional fees and the impact on appraisers if the fee is passed on to them by the AMCs. More specifically, these commenters requested that the final rule prohibit AMCs from passing the fee on to appraisers. While the ASC shares in the concern expressed over the fee being passed on to appraisers, such regulation of AMCs is outside of the authority of the ASC. The ASC notes the fee imposed by statute is not a fee assessed on appraisers, but rather on AMCs. Some commenters identified certain States are already attempting to regulate this at the State level. One commenter, however, stated the choice to pass the fee on to the appraiser should be left to the AMC, and that appraisers have a choice whether to participate on an AMC panel.

Some commenters expressed concern that AMCs hide their appraisal management fees from borrowers by including them as part of the fee paid to appraisers, and requested that the final rule require fees be disclosed to the borrower. This, however, is outside the authority of the ASC. Comments were also received expressing concern over AMCs not paying customary and reasonable fees to appraisers, or charging appraisers various fees to be on an AMC panel. This too is outside the authority of the ASC.

One commenter suggested consideration of a de minimis exception, stating the ASC should allow AMCs to use the IRS 1099 threshold and thus exclude those appraisers to whom it pays

less than \$600 during a tax year, which would include appraisers who performed only one appraisal assignment, and perhaps up to three. The commenter suggests its proposal as an alternative to potentially reduce AMC registry fees. However, the ASC would not have authority under the statute to provide such an exception. Furthermore, the ASC is concerned there would be undesirable consequences. For example, there could be a reduction in appraiser fees in order to avoid the proposed threshold. Additionally, AMCs might select appraisers in a manner to avoid the threshold rather than basing a selection on competency. The ASC will continue to work with States to address increased burden and will continue to explore means to provide additional grant funding to the States to support State programs as funds are available and additional grant policies and procedures are developed and approved.

A few commenters expressed preference for a flat fee to avoid any need to verify that AMCs are sending in the correct amount, another commenter suggested a two-tiered system and another commenter suggested a tiered structure based on the size of the appraiser panel and/or the volume of appraisals brokered by an AMC. The ASC considered these various options to calculating the AMC registry fee, but concluded that such options were not supported by the statute. Also, the ASC notes, in response to several commenters expressing concern over the honor system versus auditing AMCs on information provided to the State by AMCs, that it is up to the State to determine whatever process the State deems appropriate.

Two commenters stated the AMC registry fee should be calculated based on FRTs, not covered transactions. The ASC believes the proposal is consistent with the AMC Rule and the statute. The AMC Rule defined a covered transaction as any consumer credit transaction secured by the consumer's principal dwelling.<sup>15</sup> As stated in the AMC Rule preamble, the definition did

---

<sup>15</sup> 12 CFR 34.211(h); 12 CFR 225.191(h); 12 CFR 323.9(h); 12 CFR 1222.21(h) (2015).

not limit the definition of covered transaction to FRTs, even though Title XI and its implementing regulations have applied historically only to appraisals for FRTs. The AMC Rule, through the interagency process, determined that defining “covered transaction” as such reflected the statutory text of section 1121(11), which defines the term “appraisal management company,” as in pertinent part, “any external third party authorized either by a creditor of a consumer credit transaction secured by the consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets.”<sup>16</sup> It was further stated in the AMC Rule preamble that applying coverage of the AMC Rule beyond FRTs was consistent with the structure and text of other parts of Title XI, section 1124, most of which address appraisals generally rather than appraisals only for FRTs, and in particular, the text of section 1124(a)(4) of Title XI indicates that one of the chief purposes of the minimum requirements for AMCs is to ensure compliance with the valuation independence standards established pursuant to section 129E of the Truth and Lending Act (TILA), 15 U.S.C. 1639e(a) through (i).<sup>17</sup> The preamble of the AMC Rule concluded that those standards apply to AMCs whenever they engage in a consumer credit transaction secured by the consumer’s principal dwelling, regardless of whether the transaction is a FRT.<sup>18</sup>

Another commenter questioned the benefit of the AMC Registry to the industry as a whole. The ASC notes the requirement for the ASC to maintain the AMC Registry is statutory. The benefit of the Registry initially will be to promote information sharing between States on AMCs. The Registry will also allow lenders, AMCs and other stakeholders to identify AMCs that are

---

<sup>16</sup> See 80 *Federal Register* 32664 (June 9, 2015).

<sup>17</sup> Title XI § 1124(a)(4), 12 U.S.C 3353(a)(4).

<sup>18</sup> See 80 *Federal Register* 32664 (June 9, 2015).

located in participating States, and therefore subject to State registration and supervision. In addition, the Registry will identify AMCs that are Federally regulated AMCs.

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

The ASC is adopting § 1102.403(a) and (b) substantially as proposed regarding collection and transmission of annual AMC registry fees. 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) with the effective date for compliance.

Section 1102.403(a) and (b) 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 sections 1109 and 1117 of Title XI as amended by the Dodd-Frank Act. The final rule requires 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 are eligible to be on the AMC Registry.

The ASC requested comment on all aspects of proposed collection and transmission of annual AMC registry fees. (*See* Question 4 in the proposal.) One commenter stated that while it is understandable that States should have some flexibility in connection with the collection of registry fees, some boundaries or guidelines should be implemented within the final rule because varying State expiration dates could be financially and logistically challenging for AMCs. One commenter stated that the staggered renewal dates could complicate the reporting process and may be a burden to AMCs and States to maintain records. The commenter suggested the reporting period should be the same for every State. As proposed, the ASC recognizes that

States should 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. Based on annual fees paid by the States historically for appraiser registry fees, the ASC recognizes States require flexibility to determine the period for reporting and collection of registry fees dependent on their budget cycles, rules and statutes. States vary greatly on the 12-month cycle as well as renewal cycles, which in some States may be 2 years or more. 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 in a similar manner as they currently do for their appraisers, meaning some States have a date certain every year, while other States use, for example, the appraiser's date of birth (States could use AMC registration date similarly). The registration cycle is left to the individual States to determine, but the ASC notes that the statutory requirement in section 1109(a)(4) requires States to submit AMC registry fees to the ASC annually.<sup>19</sup>

Several other commenters expressed concern over the additional burden on States to collect and transmit information and fees to the ASC and the need for additional funding and staff. Another commenter stated the ASC should consider implementing a centralized computer system for collecting AMC registry fees, and use some of the fees to provide grants to States to set up and run their AMC programs. The ASC will continue to work with States to address increased burden and will continue to explore means to provide additional grant funding to the States to support State programs as funds are available and additional grant policies and procedures are developed and approved.

---

<sup>19</sup> Title XI § 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).



One commenter objected to States levying additional fees on AMCs to cover the costs of collecting and transmitting fees to the ASC. This commenter referenced the AMC Rule stating in its preamble the option for States to collect administrative fees from Federally regulated AMCs to offset the cost of collecting the AMC Registry fee and the information related to the fee. The ASC understands the basis for the concern, but recognizes this is a matter left to the States.

The ASC requested comment on Federally regulated AMCs operating in a State that does not elect to register and supervise AMCs, and whether the ASC should collect information and fees directly from those Federally regulated AMCs. (*See* Question 5 in the proposal.) The ASC received a number of comments in response to this question. One commenter expressed concerns about collecting fees from Federally regulated AMCs which are exempt from registration with the State. Another commenter stated that Federally regulated AMCs operating in a State that does not have an AMC program should report and submit fees directly to the ASC. A few commenters stated that the State would not have authority to collect fees from entities that are exempt from State licensure and they do not have authority to require that those entities submit data to the State Board and requested that the ASC collect the fees from those entities directly. Several commenters stated the ASC should collect fees directly from Federally regulated AMCs rather than the State acting as a pass-through. One commenter stated if the ASC sets up a program to collect fees from Federally regulated AMCs in States that do not register and supervise AMCs, the ASC should consider the same for States with an AMC program. Another commenter stated that States could choose to opt out due to the reported low percentage of FRTs compared to overall transactions, which would result in a barrier to

collection of fees in those States. The ASC considered commenters' concerns, but recognizes the authority to impose requirements on Federally regulated AMCs lies with the Agencies.<sup>20</sup>

Some commenters expressed concern that even though they elect to register and supervise AMCs, they would have no authority over Federally regulated AMCs, and therefore no ability to accept information or fees from those AMCs. The ASC recognizes this may present a challenge for some States. However, for States that elect to register and supervise AMCs, the requirement to collect fees from Federally regulated AMCs is statutory. The Agencies<sup>21</sup> involved with issuing the AMC Rule recognized that practical challenges may arise as the minimum requirements are adopted in States and reporting requirements take effect and the Agencies committed to monitor these issues. The ASC will monitor these issues as well and will continue to explore means to provide additional grant funding to the States to support State programs as funds are available and additional grant policies and procedures are developed and approved.

The ASC requested comment on what barriers, if any, exist that would make it difficult for a State to implement the collection and transmission of AMC registry fees (*see* Question 6 in the proposal) and 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 (*see* Question 7 in the proposal). One commenter estimated that the burden for a State's program would be 25 hours per month of staff time to complete and would cost approximately \$6000 to design a database and \$700/month for staff to maintain. Another commenter stated the proposed rule could negatively affect AMCs, consumers and real estate appraisers, as well as create burden for States. This commenter also stated AMCs will likely pass on fees to clients and therefore

---

<sup>20</sup> OCC, Board, FDIC, NCUA, Bureau, and FHFA (*see* footnote 8).

<sup>21</sup> *Id.*

consumers. Another commenter stated costs may negatively affect smaller AMCs causing consolidation of AMCs. Another concern was that AMCs may pare down appraiser panels. The ASC recognizes the collection and transmission to the ASC of AMC registry fees by the States would create some recordkeeping, reporting and compliance requirements. However, these collection and transmission requirements are imposed by the statute. The ASC will continue to work with States to address increased burden and will continue to explore means to provide additional grant funding to the States to support State programs as funds are available and additional grant policies and procedures are developed and approved.

Several commenters requested that States should be allowed to send in multi-year registry fees rather than annually. Another commenter expressed concern that States could incur significant administrative costs to implement programming changes to their computer systems if they have to collect fees annually rather than multi-year fees as they do now for appraisers. If a State can assess on a multi-year basis, the ASC would not object. However, the ASC notes 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.<sup>22</sup>

Another commenter expressed the desire for the ASC to continue to accept data files for AMCs. Historically, the ASC accepted data files, and continues to do so on a limited basis for the Appraiser Registry. However, this method of transmitting rosters is obsolete and time consuming. The ASC has continued to improve the Appraiser Registry using more up-to-date transmission methods such as the extranet application and Simple Object Access Protocol (SOAP) in order to provide more real-time information on the National Registries. While the ASC recognizes this may impose additional burden on States, the ASC will continue to explore

---

<sup>22</sup> Title XI § 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

means to provide grant funding to the States to support State programs as funds are available and additional grant policies and procedures are developed and approved.

Another commenter was concerned with specific collection and transmission scenarios and how various scenarios would impact determination of fees, calculation of panel size, transmission of fees, verification of fee calculation and audit requirements. Several of this commenter's concerns deal with logistics and will be part of the ASC Bulletin concerning reporting requirements which will be issued after this final rule. This commenter also wanted to know what timeline the ASC is considering between verification and remittance, similar to another commenter who stated there should be flexibility with the timing of payment of fees and the actual transmission of the fees, and that the final rule should add additional language that clearly addresses these potential gaps in order to avoid any unintended consequences. This is a matter that will be left to the States to administer within the following parameters: (1) AMC registry fees must be collected and transmitted to the ASC on an annual basis by States that elect to register and supervise AMCs; and (2) only those AMCs whose registry fees have been transmitted to the ASC are eligible to be on the AMC Registry.

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

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

Certain provisions of the final 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 final rule were 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). OMB instructed the ASC to examine public comment in response to the proposed rule and describe in the supporting statement of their next collections any public comments received regarding the collection as well as why (or why it did not) incorporate the commenter's recommendation. The ASC received 12 public comments regarding the collection and concern of burden on States, and two comments voiced concern that the ASC did not perform a cost benefit analysis. The ASC described the comments in the supporting statement above and the discussion below on the Regulatory Flexibility Act, and addressed why the ASC did not incorporate commenters' recommendations. The collection of information requirements in the final 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 are required to collect and transmit annual AMC registry fees to the ASC. Section 1102.402 establishes 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.

Section 1102.403 requires 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 will be eligible to be on the AMC Registry. 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. 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) with the effective date for compliance.

#### Burden Estimates:

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

*Burden Total:* 500 hours.

#### Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, generally requires that, in connection with a 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 rule. Based on its analysis, and for the reasons stated below, the ASC believes that the rule will not have a significant economic impact on a substantial number of small entities.

Section 1109 of Title XI provides that State appraiser certifying and licensing agencies that elect to register and supervise AMCs shall collect (1) from AMCs that have been in existence for more than a year, annual AMC registry fees in the amount of \$25 (up to a maximum of \$50) multiplied by the number of appraisers “working for or contracting with” an AMC in a State during the previous year; and (2) from AMCs that have not been in existence for more than a year, annual AMC registry fees in the amount of \$25 (up to a maximum of \$50) multiplied by an appropriate number to be determined by the ASC.<sup>23</sup> The purpose of the statutory fee is to support the ASC’s functions under Title XI. Because the ASC believes the minimum fee required by the statute would be adequate to support its functions, the rule adopts the minimum fee of \$25 as set by statute. The rule also 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 reporting period. For AMCs that have existed for more than a year, the formula is \$25 multiplied by the number of appraisers who have performed an appraisal for the AMC on a covered transaction during the previous year. For AMCs that have not existed for more than a year, the \$25 fee is multiplied by the number of appraisers that performed an appraisal for the AMC on a covered transaction since the AMC commenced doing business.

---

<sup>23</sup> 12 U.S.C. 3338(a)(4)(B).

Regarding the fee for AMCs that have been in existence for more than a year, the ASC believes the rule imposes the minimum fee allowed under the statutory provisions of section 1109. The ASC did not exercise statutory discretion granted to the ASC to increase the fee above \$25. Further, the ASC interprets “working for or contracting with” to mean only those appraisers who actually performed an appraisal for the AMC, as opposed to all appraisers on the AMC’s panel or all appraisers engaged, regardless of whether the assignment was completed. The ASC believes this formula results in the lowest fee allowed by the statute and the ASC chose not to exercise its authority to increase this minimum fee. Therefore, any burden produced is the result of statutory and not regulatory requirements.

The ASC has also decided to adopt the statutory minimum fee of \$25 for AMCs that have not existed for a year. As required by statute, the ASC adopted an appropriate number against which to multiply the \$25 fee. The ASC adopted the same multiple as used for AMCs that have existed for more than a year (*i.e.*, the number of appraisers that have performed appraisal assignments for the AMC). It is possible that the ASC may have been able to adopt a multiple that would have resulted in a lower fee and would still be deemed appropriate. In this regard, the rule may have created a burden for AMCs that have not existed for more than a year, beyond the burden created by the statutory requirements alone. However, using the actual period of time since the AMC commenced doing business will reduce the registry fee for those new AMCs while maintaining some consistency in the calculation of AMC registry fees to reduce administrative burden for the States.

One commenter stated the proposed rule would have a large financial impact on smaller AMCs and community banks and credit unions, as well as appraisers, and asserted that the RFA requires analysis when the rule directly regulates small entities. This commenter stated that as an



owner of a small AMC, regulatory fees proposed are burdensome, and as a national AMC, is opposed to paying for the same appraiser in different States, especially given that the AMC registry fee is on top of other State fees required by the States, and regulatory oversight seems “duplicitous.” Another commenter stated the proposed rule would affect thousands of small appraisal businesses as a result of AMCs passing the registry fee on to appraisers, and that the ASC should do extensive analysis on how the proposed rule will affect residential appraisers. The ASC shares in the concern but has no authority to regulate that issue. A few commenters indicated that some States are looking at regulating this issue at the State level. In support of those States, the ASC notes the fee imposed by statute is not a fee assessed on appraisers, but rather on AMCs. This commenter, similar to the previous commenter, also did not believe the requirements of section 609(a) of the RFA have been met and that the fee may force small AMCs out of business, as well as impact sole proprietorships that accept assignments from AMCs. This commenter went on to state that while the ASC is not required to adhere to Executive Order 12866 or issue cost benefit analysis, this commenter believes it is sound best practice.

The ASC carefully considered these matters and concluded the requirements under the rule are imposed by the statute, not the rule, and further, the requirements apply to those States that elect to register and supervise AMCs following the statutory scheme set forth in section 1473 of the Dodd-Frank Act. In addition, the RFA does not require an agency to conduct a small-entity impact analysis when the agency does not regulate the affected entities (AMCs, lenders, appraisers). The ASC’s statutory oversight extends to State certifying and licensing agencies. Section 1109 of Title XI provides the framework and minimum fee to collect from AMCs for States that elect to register and supervise AMCs. The ASC believes the rule as proposed imposes

the minimum fee of \$25 allowed under the statutory provisions of section 1109. The statute did provide latitude for the ASC to establish an appropriate number to multiply by \$25 for AMCs that have not been in existence for a year. Using the actual period of time since the AMC commenced doing business will reduce the registry fee for those new AMCs while maintaining some consistency in the calculation of AMC registry fees to reduce administrative burden for the States. The ASC did not exercise statutory discretion granted to the ASC to increase the fee above \$25. Therefore, any burden produced is the result of statutory and not regulatory requirements.

While some burden beyond the statutory requirements may have resulted from the rule for AMCs that have not existed for more than a year, the ASC does not believe the rule will have a significant economic impact on a substantial number of small entities. There are only approximately 500 AMCs operating in the United States. The annual regulatory burden will only apply to new AMCs that have not existed for more than a year. Given the small number of AMCs currently in operation, it is unlikely that there will be a substantial number of AMCs that commence doing business in any given year. Further, the ASC adopted the lowest possible fee of \$25. Therefore, the ASC does not believe that the exercise of its discretion in setting the fee formula for such AMCs will have a significant economic impact on a substantial number of small entities.

The collection and transmission to the ASC of AMC registry fees by the States would create some recordkeeping, reporting and compliance requirements. However, these collection and transmission requirements are imposed by the statute, not the rule. Further, the RFA requires an

agency to perform a regulatory flexibility analysis of small entity impacts when the agency's rule directly regulates the small entities.<sup>24</sup>

Based on its analysis, and for the reasons stated above, the ASC believes that the rule will not have a significant economic impact on a substantial number of small entities. Therefore, the ASC certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

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

The ASC has analyzed the final 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 final 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 final rule does not trigger the \$100 million UMRA threshold. The costs specifically related to requirements set forth in statute are excluded from expenditures under the UMRA. Given that the final 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 final 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.

---

<sup>24</sup> For purposes of assessing the impacts of the proposed rule on small entities, "small entities" is defined in the RFA to include small businesses, small not-for-profit organizations, and small government jurisdictions. 5 U.S.C. 601(6). A "small business" is determined by application of SBA regulations and reference to the North American Industry Classification System (NAICS) classifications and size standards. 5 U.S.C. 601(3). A "small organization" is any "not-for-profit enterprise which is independently owned and operated and is not dominant in its field." 5 U.S.C. 601(4). A "small governmental jurisdiction" is the government of a city, county, town, township, village, school district, or special district with a population of less than 50,000. 5 U.S.C. 601(5). Given these definitions, States that elect to establish licensing and certification authorities are not small entities and the burden on them is not relevant to this analysis.

## 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. 3346 and 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 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 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) *Performed 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) *Other terms.* 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 Establishing the 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:

- (a) 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
- (b) 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.

**§ 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 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 to the ASC on an annual basis. States may align a one-year period with any 12-month period,

which may, or may not, be based on the calendar year. Only those AMCs whose registry fees have been transmitted to the ASC will be eligible to be on the AMC Registry.

By the Appraisal Subcommittee,

---

Arthur Lindo  
Chairman

---

Date

Billing Code 6700-0001

## **FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL**

[Docket No. **XXXX**]

### **Appraisal Subcommittee; Proposed Revised Policy Statements**

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

**ACTION:** Proposed Revised Policy Statements

**SUMMARY:** The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council requests public comment on a proposal to revise ASC Policy Statements (proposed Policy Statements). The proposed Policy Statements provide guidance to ensure State appraiser regulatory programs comply with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended, and the rules promulgated thereunder. The proposed Policy Statements would supersede the current ASC Policy Statements. The ASC previously published the Proposed Revised Policy Statements on January 10, 2017, under Docket Number AS17-01. The comment period was scheduled to close on April 10, 2017. The ASC suspended the comment period in response to the White House Chief of Staff Memorandum titled Regulatory Freeze Pending Review, signed on January 20, 2017, pending review by the Office of Management and Budget (OMB). Technical edits for clarification have been made to the proposed Policy Statements since the initial publication, which are addressed below in Supplementary Information, section III, *Statement-by-Statement*.

**DATES:** Comments must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION]**.



**ADDRESSES:** Commenters are encouraged to submit comments by the Federal eRulemaking Portal or email, if possible. You may submit comments, identified by Docket Number

**XXXX**, 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 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 Federal eRulemaking (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 by any of the following methods:

- Viewing Comments Electronically: Go to <https://www.Regulations.gov>. Enter “Docket ID XXXX” 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), established the ASC.<sup>1</sup> The purpose of Title XI is to provide protection of

---

<sup>1</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

Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions.<sup>2</sup> Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States<sup>3</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions. This is accomplished through periodic ASC Compliance Reviews of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria).

Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)<sup>4</sup> expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies<sup>5</sup> (AMCs). States electing to register and supervise AMCs must implement minimum requirements in accordance with the AMC Rule.<sup>6</sup> As a result, States with an AMC regulatory program (AMC Program) will be evaluated during the ASC's Compliance

---

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).

<sup>2</sup> 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. (Title XI § 1121 (4), 12 U.S.C. 3350.)

<sup>3</sup> 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.

<sup>4</sup> Pub. L. 111-203, 124 Stat. 1376.

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

<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. (Title XI § 1124 (a), 12 U.S.C. 3353(a)). Those rules were finalized and published on June 9, 2015, at 80 *Federal Register* 32658 with an effective date of August 10, 2015. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26)

Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. The amendments to Title XI by the Dodd-Frank Act also allow States with an AMC Program to add information about AMCs in their State to the National Registry of AMCs (AMC Registry). The proposed Policy Statements include guidance to the States regarding how AMC Programs will be evaluated during ASC Compliance Reviews.

## **II. Overview of Proposed Policy Statements**

The ASC is issuing these proposed Policy Statements<sup>7</sup> in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI and the rules promulgated thereunder:

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

The proposal also includes two appendices:

---

<sup>7</sup> These Policy Statements, adopted [date to be inserted when final], supersede all previous Policy Statements adopted by the ASC.

1. Appendix A provides an overview of the Compliance Review process; and
2. Appendix B provides a glossary of terms.

### **III. Statement-by-Statement**

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

#### *Introduction and Purpose*

The ASC proposes to expand the introduction to include the monitoring of States that elect to register and supervise the operations and activities of AMCs, and to include an explanation of the proposed Policy Statements' three parts and appendices.

#### *Part A: Appraiser Program*

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

The ASC proposes to modify Policy Statement 1 to include a definition of trainee appraiser to better reflect how changes to Title XI affect Appraiser Programs with trainee requirements.

#### *Policy Statement 2: Temporary Practice*

The ASC proposes to modify Policy Statement 2 to clarify requirements for temporary practice and includes requirements to track temporary practice permits and maintain documentation.

### Policy Statement 3: National Registry of Appraisers

The ASC proposes to modify Policy Statement 3 to clarify requirements regarding States' submission of registry fees and eligibility of appraisers for the Appraiser Registry.

Technical edits for clarification were made to Policy Statement 3 since the initial publication. The *Summary of Requirements* include the 5-day reporting requirement for disciplinary action consistent with the body of the Policy Statement, and clarify the requirement for States to adopt and implement a policy to protect right of access to the Appraiser Registry.

### Policy Statement 4: Application Process

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

Technical edits for clarification were made to Policy Statement 4 since the initial publication. The section titled *Processing of Applications* refers to “documentation” required rather than “files.” In the section titled “*Validation Procedures, Objectives and Requirements*,” the subsection “*Selection of Work Product*” is renamed “*Experience Hours Validation*” to more accurately reflect the content of the subsection, and compliance with USPAP is moved to the following subsection titled “*USPAP Compliance*”; the subsection “*Determination of Experience*

*Time Periods*” no longer restates AQB Criteria, but rather requires that time periods conform with AQB Criteria; and “*Supporting Documentation*” clarifies documentation required. The *Summary of Requirements* were modified to conform with these technical edits.

*Policy Statement 5: Reciprocity*

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

*Policy Statement 6: Education*

The ASC proposes to modify Policy Statement 6 to clarify that States may not continue to accept AQB approved courses after the AQB’s expiration date unless the course content is reviewed and approved by the State.

*Policy Statement 7: State Agency Enforcement*

The ASC proposes to modify Policy Statement 7 to clarify the requirement that States consider USPAP violations when investigating a complaint whether or not USPAP violations were the basis for the complaint.

Technical edits for clarification were made to Policy Statement 7 since the initial publication. A footnote was added to clarify that the one-year period for resolution of complaints is not intended to have the impact of a statute of limitation.

Part B: AMC Program

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

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

The ASC proposes a new Policy Statement 8 to reflect the statutory provision that States are not required to establish an AMC Program, but clarify for those States that establish AMC Programs the ASC oversight during ASC Compliance Reviews. As proposed, Policy Statement 8 reiterates that States with an AMC Program must: (1) establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule; (2) impose requirements on AMCs consistent with the AMC Rule; and (3) enforce and document ownership limitations for State-registered AMCs. As proposed, Policy Statement 8 informs States that while they may have a more expansive definition of an AMC in their State statute, only AMCs that meet the federal definition in Title XI may be included on the AMC Registry.

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

The ASC proposes a new Policy Statement 9 to clarify requirements for States with an AMC Program to maintain the AMC Registry in the same way they maintain the Appraiser Registry.



Technical edits for clarification were made to Policy Statement 9 since the initial publication. The *Summary of Requirements* includes the requirement for States to adopt and implement a policy to protect right of access to the AMC Registry.

*Policy Statement 10: State Agency Enforcement*

The ASC proposes a new Policy Statement 10 to clarify requirements for States' AMC enforcement programs in those States with an AMC Program.

*Policy Statement 11: Statutory Implementation Period*

The ASC proposes a new Policy Statement 11 to clarify the statutory implementation period and any extensions that may be granted.

*Part C: Interim Sanctions*

*Policy Statement 12: Interim Sanctions*

The ASC proposes a new Policy Statement 12 which modifies existing Policy Statement 8 to clarify interim sanctions which may be imposed on State Programs when those programs fail to be effective. The proposed procedures include due process provisions and rules of evidence, and would establish timeliness for proceedings.

**IV. Request for Comment**

The ASC seeks comment on all aspects of the proposed Policy Statements. In addition, the ASC requests comments on whether the proposed Policy Statements provide State Programs with the necessary information to understand the ASC's expectations during a Compliance Review.

The text of the proposed Policy Statements is as follows:

Contents

Introduction and Purpose

PART A: APPRAISER PROGRAM

POLICY STATEMENT 1

Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs

- A. State Regulatory Structure
- B. Funding and Staffing
- C. Minimum Criteria
- D. Federally Recognized Appraiser Classifications
- E. Non-federally Recognized Credentials
- F. Appraisal Standards
- G. Exemptions
- H. ASC Staff Attendance at State Board Meetings
- I. Summary of Requirements

POLICY STATEMENT 2

Temporary Practice

- A. Requirement for Temporary Practice

B. Excessive Fees or Burdensome Requirements

C. Summary of Requirements

### POLICY STATEMENT 3

National Registry of Appraisers

A. Requirements for the National Registry of Appraisers

B. Registry Fee and Invoicing Policies

C. Access to Appraiser Registry Data

D. Information Sharing

E. Summary of Requirements

### POLICY STATEMENT 4

Application Process

A. Processing of Applications

B. Qualifying Education for Initial or Upgrade Applications

C. Continuing Education for Reinstatement and Renewal Applications

D. Experience for Initial or Upgrade Applications

E. Examination

F. Summary of Requirements

### POLICY STATEMENT 5

## Reciprocity

- A. Reciprocity Policy
- B. Application of Reciprocity Policy
- C. Appraiser Compliance Requirements
- D. Well-Documented Application Files
- E. Summary of Requirements

## POLICY STATEMENT 6

### Education

- A. Course Approval
- B. Distance Education
- C. Summary of Requirements

## POLICY STATEMENT 7

### State Agency Enforcement

- A. State Agency Regulatory Program
- B. Enforcement Process
- C. Summary of Requirements

## PART B: AMC PROGRAM

## POLICY STATEMENT 8

## Statutes, Regulations, Policies and Procedures Governing State AMC Programs

- A. Participating States and ASC Oversight
- B. Relation to State Law
- C. Funding and Staffing
- D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule
- E. Summary of Requirements

## POLICY STATEMENT 9

### National Registry of AMCs (AMC Registry)

- A. Requirements for the AMC Registry
- B. Registry Fee and Invoicing Policies
- C. Reporting Requirements
- D. Access to AMC Registry Data
- E. Summary of Requirements

## POLICY STATEMENT 10

### State Agency Enforcement

- A. State Agency Regulatory Program
- B. Enforcement Process

## C. Summary of Requirements

### POLICY STATEMENT 11

#### Statutory Implementation Period

### PART C: INTERIM SANCTIONS

### POLICY STATEMENT 12

#### Interim Sanctions

##### A. Authority

##### B. Opportunity to be Heard or Correct Conditions

##### C. Procedures

### APPENDICES

#### Appendix A – Compliance Review Process

#### Appendix B – Glossary of Terms

#### *Introduction and Purpose*

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).<sup>8</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

---

<sup>8</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, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

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>9</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.<sup>10</sup> Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)<sup>11</sup> expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies<sup>12</sup> (AMCs).<sup>13</sup>

The ASC performs periodic Compliance Reviews<sup>14</sup> of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the

---

<sup>9</sup> See Appendix B, Glossary of Terms, for the definition of "State."

<sup>10</sup> See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

<sup>11</sup> Pub. L. 111-203, 124 Stat. 1376.

<sup>12</sup> Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

<sup>13</sup> See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

<sup>14</sup> See Appendix A, Compliance Review Process.

AMC Rule.<sup>15</sup>

The ASC is issuing these revised Policy Statements<sup>16</sup> in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

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

## PART A: APPRAISER PROGRAM

### POLICY STATEMENT 1

#### **Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs**

---

<sup>15</sup>The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. (Title XI § 1124 (a), 12 U.S.C. 3353(a)). Those rules were finalized and published on June 9, 2015, at 80 Federal Register 32658 with an effective date of August 10, 2015. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.)

<sup>16</sup>These Policy Statements, adopted [date to be inserted when final], supersede all previous Policy Statements adopted by the ASC.



### *A. State Regulatory Structure*

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.<sup>17</sup> The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board<sup>18</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, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

### *B. Funding and Staffing*

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

---

<sup>17</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>18</sup> See Appendix B, *Glossary of Terms*, for the definition of "State board."

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

### *C. Minimum Criteria*

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

### *D. Federally Recognized Appraiser Classifications*

#### *State Certified Appraisers*

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

#### *State Licensed Appraisers*

"State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. The permitted scope of practice and designation for

State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

### *Trainee Appraisers*

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

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

### *E. Non-federally Recognized Credentials*

States using non-federally recognized credentials or designations<sup>19</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>20</sup> States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

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

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a

---

<sup>19</sup> See Appendix B, *Glossary of Terms*, for the definition of "non-federally recognized credentials or designations."

<sup>20</sup> See Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

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

#### *G. Exemptions*

Title XI and the Federal financial institutions regulatory agencies’ regulations specifically require the use of State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.<sup>21</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.

---

<sup>21</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.

## *H. ASC Staff Attendance at State Board Meetings*

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

## *I. Summary of Requirements*

1. States must require that appraisals be performed in accordance with the latest version of USPAP.<sup>22</sup>
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.<sup>23</sup>
3. States must have policies, practices and procedures consistent with Title XI.<sup>24</sup>
4. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>25</sup>

---

<sup>22</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>23</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>24</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>25</sup> *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

5. States must use proper designations and permitted scope of practice for certified residential; certified general; licensed; and trainee classifications.<sup>26</sup>
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.<sup>27</sup>
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.<sup>28</sup>
8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.
9. State agencies must be granted adequate authority by the State to maintain an effective regulatory Appraiser Program in compliance with Title XI.<sup>29</sup>

## *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>30</sup> for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with

---

<sup>26</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>27</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>28</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

<sup>29</sup> Title XI § 1118 (b), 12 U.S.C. § 3347.

<sup>30</sup> See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and does not impose “excessive fees or burdensome requirements,” as determined by the ASC.<sup>31</sup> Thus, a credentialed appraiser<sup>32</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 of Appraisers to verify credential status on applicants for temporary practice.

*B. Excessive Fees or Burdensome Requirements*

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.<sup>33</sup> Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

*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

---

<sup>31</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

<sup>32</sup> See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

<sup>33</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.



- justifying delay or other action;
- c. issue temporary practice permits designating the permit's effective date;
  - d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;
  - e. notify the appraiser's home State agency<sup>34</sup> in the case of disciplinary action concerning a temporary practitioner;
  - f. allow at least one temporary practice permit extension through a streamlined process;
  - g. track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance, and date of expiration, if any (States are strongly encouraged to maintain this information in an electronic, sortable format); and
  - h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

*Host State agencies may not:*

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

---

<sup>34</sup> See Appendix B, Glossary of Terms, for the definition of "home State agency."

- b. limit an appraiser to one temporary practice permit per calendar year;<sup>35</sup>
- c. charge a temporary practice permit fee exceeding \$250, including one extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;
- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

*Home State agencies may not:*

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

---

<sup>35</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.

licensed appraisers is disciplined by another State.

*C. Summary of Requirements*

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.<sup>36</sup>
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>37</sup>

*POLICY STATEMENT 3*

*National Registry of Appraisers*

*A. Requirements for the National Registry of Appraisers*

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions (Appraiser Registry).<sup>38</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>39</sup> from individuals who

---

<sup>36</sup> Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

<sup>37</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

<sup>38</sup> Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

<sup>39</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.)

have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

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

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

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

The ASC extranet application allows States to update their appraiser credential information directly to the Appraiser Registry. Only Authorized Registry Officials are allowed to request

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

*B. Registry Fee and Invoicing Policies*

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

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

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

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

### *D. Information Sharing*

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

The Appraiser Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are

necessary to maintain an up-to-date Appraiser Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

States must report all disciplinary action<sup>40</sup> taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.<sup>41</sup> States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>42</sup>

For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.<sup>43</sup>

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

### *E. Summary of Requirements*

#### 1. States must reconcile and pay registry invoices in a timely manner (45 calendar days

---

<sup>40</sup> See Appendix B, *Glossary of Terms*, for the definition of "disciplinary action."

<sup>41</sup> *Id.*

<sup>42</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>43</sup> *Id.*

- after the invoice date).<sup>44</sup>
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.<sup>45</sup>
  3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>46</sup>
  4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder's ability to practice), the appraiser's status must be changed on the Appraiser Registry to "inactive," thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.<sup>47</sup>
  5. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.<sup>48</sup>
  6. States must ensure that the authorization information provided to the ASC is updated and accurate.<sup>49</sup>

---

<sup>44</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

<sup>45</sup> *Id.*

<sup>46</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*



7. States must adopt and implement a written policy to protect the right of access to the Appraiser Registry, as well as the ASC issued User Name and Password.<sup>50</sup>
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.<sup>51</sup>
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State's data does not change during the month, the State agency must notify the ASC of that fact in writing.<sup>52</sup>
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser's services is aware that the appraiser's certificate or license is limited to performing appraisals only in connection with non-federally related transactions.<sup>53</sup>

#### *POLICY STATEMENT 4*

##### *Application Process*

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers (certified, licensed, trainee and supervisory). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.<sup>54</sup> Effective January 1, 2017, AQB Criteria also requires States to assess whether

---

<sup>50</sup> *Id.*

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

<sup>53</sup> *Id.*

<sup>54</sup> Includes applications for credentialing of trainee, licensed, certified residential or certified general classifications.

an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.

*A. Processing of Applications*

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

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

1. Application receipt date;
2. Education;
3. Experience;
4. Examination;
5. Continuing education; and

6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

*B. Qualifying Education for Initial or Upgrade Applications*

States must verify that:

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

States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.<sup>55</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

---

<sup>55</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.

AQB Criteria for reinstatement of the appraiser credential sought.

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

## *2. Renewal Applications*

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

### *a. Validation objectives*

The State's validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers.

Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

*b. Minimum Standards*

- 1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.
- 2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.
- 3) States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
- 4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
- 5) If a State determines that a renewal applicant knowingly falsely attested to

completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.

- 6) If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action<sup>56</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.
- 7) In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).

*c. Documentation*

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

*d. List of Education Courses*

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

---

<sup>56</sup> For example:

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

#### *D. Experience for Initial or Upgrade Applications*

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.<sup>57</sup>

##### *1. Validation Required*

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

##### *2. Validation Procedures, Objectives and Requirements*

###### *a. Experience Hours Validation*

States must determine the hours and time period claimed on the experience log are accurate. Appraiser Program staff or State board members must select the work product to validate the experience hours claimed; applicants may not have

---

<sup>57</sup> See Policy Statement 1D and E for discussion of "federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

any role in this selection process.

*b. USPAP Compliance*

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

*c. Determination of Experience Time Periods*

Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.

*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 to validate the experience hours claimed and each appraisal assignment analyzed by the State for USPAP compliance, 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>58</sup>
2. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.<sup>59</sup>
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>60</sup>

##### *Education*

1. States must verify that the applicant's claimed education courses are acceptable under

---

<sup>58</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

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

<sup>60</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.<sup>61</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>62</sup>
3. States must maintain adequate documentation to support verification.<sup>63</sup>
4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.<sup>64</sup>
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.<sup>65</sup>
6. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure.<sup>66</sup>
7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).<sup>67</sup>
8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a

---

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

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

<sup>65</sup> *Id.*

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

<sup>67</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).<sup>68</sup>

9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.<sup>69</sup>
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.<sup>70</sup>
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.<sup>71</sup>

### *Experience*

1. States may not accept an affidavit for experience credit claimed from applicants for

---

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

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

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

- any federally recognized credential.<sup>72</sup>
2. States must ensure that appraiser experience logs conform to AQB Criteria.<sup>73</sup>
  3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.<sup>74</sup>
  4. States must select the work product to validate the experience hours claimed on all initial or upgrade applications for appraiser credentialing.<sup>75</sup>
  5. States must analyze a representative sample of the applicant's work product for compliance with USPAP on all initial or upgrade applications for appraiser credentialing.<sup>76</sup>
  6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.<sup>77</sup>
  7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.<sup>78</sup>
  8. Experience time periods must conform to requirements set forth in the AQB Criteria

---

<sup>72</sup> *Id.*

<sup>73</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>74</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

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

<sup>76</sup> *Id.*

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

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

for the credential sought.<sup>79</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>80</sup>

### *POLICY STATEMENT 5*

#### *Reciprocity*

##### *A. Reciprocity Policy*

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. The ASC monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.<sup>81</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

---

<sup>79</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

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

<sup>81</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

(ii) the credentialing requirements of the Home State<sup>82</sup> meet or exceed those of the reciprocal credentialing State (Reciprocal State).<sup>83</sup>

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

For purposes of implementing the reciprocity policy, States with an ASC Finding<sup>84</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).

---

<sup>82</sup> As they exist at the time of application for reciprocal credential.

<sup>83</sup> *Id.*

<sup>84</sup> See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

*Example 1. Additional Requirements Imposed on Applicants*

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

*Example 2. Credentialing Requirements*

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

*Example 3. Multiple State Credentials*

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

*C. Appraiser Compliance Requirements*

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.<sup>85</sup>

*D. Well-Documented Application Files*

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

*E. Summary of Requirements*

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State's appraisers to be eligible to perform appraisals for federally related transactions.<sup>86</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>87</sup>
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the

---

<sup>85</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>86</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

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



facts and determinations in the matter and the reasons for those determinations.<sup>88</sup>

## *POLICY STATEMENT 6*

### *Education*

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

#### *A. Course Approval*

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

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

---

<sup>88</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

States should ensure that educational providers are afforded equal treatment in all respects.<sup>89</sup>

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

### *B. Distance Education*

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

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

### *C. Summary of Requirements*

1. States must ensure that appraiser education courses are consistent with AQB Criteria.<sup>90</sup>
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.<sup>91</sup>
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-

---

<sup>89</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>90</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>91</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

approved organization providing approval of course design and delivery.<sup>92</sup>

## *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>93</sup>

#### *B. Enforcement Process*

States must ensure that the system for processing and investigating complaints<sup>94</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

---

<sup>92</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>93</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>94</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

complaints must occur within one year (12 months) of the complaint filing date.<sup>95</sup>

Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex cases that involve multiple individuals and reports. Such special 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

---

<sup>95</sup> The one-year period for resolution of complaints is not intended to have the impact of a statute of limitation or statute of repose.

appraisal practice and USPAP and States must be able to document how such persons are so qualified.

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

Closure of a complaint based solely on a State's statute of limitations that results in dismissal of a complaint without the investigation of the merits of the complaint is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.<sup>96</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*

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

#### a. *Complaint Files*

Complaint files must:

---

<sup>96</sup> Title XI § 1117, 12 U.S.C. § 3346.

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

b. *Complaint Logs*

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

The complaint log must include the following information (States are strongly

encouraged to maintain this information in an electronic, sortable format):

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

### *C. Summary of Requirements*

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>97</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>98</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>99</sup>
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.<sup>100</sup>
5. States must appropriately document enforcement files and include rationale.<sup>101</sup>
6. States must regulate, supervise and discipline their credentialed appraisers.<sup>102</sup>
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.<sup>103</sup>

*PART B: AMC PROGRAM*

*POLICY STATEMENT 8*

---

<sup>97</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

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

<sup>101</sup> *Id.*

<sup>102</sup> *Id.*

<sup>103</sup> *Id.*



## *Statutes, Regulations, Policies and Procedures Governing State AMC Programs*

### *A. Participating States and ASC Oversight*

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.<sup>104</sup> Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after the following occurs:

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

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

### *B. Relation to State Law*

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

---

<sup>104</sup> Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26).

Participating States may also have a more expansive definition of AMCs.<sup>105</sup> However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

### *C. Funding and Staffing*

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

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

---

<sup>105</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.

## *1. AMC Registration and Supervision*

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC Rule for compliance requirements<sup>106</sup> as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

- (a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:
  - (1) Review and approve or deny AMC initial registration applications and/or renewals for registration;
  - (2) Examine records of AMCs and require AMCs to submit information;
  - (3) Verify that appraisers on AMCs' panels hold valid State credentials;
  - (4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;
  - (5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and
  - (6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as

---

<sup>106</sup> See footnote 107.

well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs<sup>107</sup> to:

- (1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;
- (2) Engage only State-certified or State-licensed appraisers for federally related transactions in conformity with any federally related transaction regulations;
- (3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;
- (4) Direct the appraiser to perform the assignment in accordance with USPAP; and
- (5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

---

<sup>107</sup> "Federally regulated AMCs," meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

## 2. *Ownership Limitations for State-registered AMCs*

### A. *Appraiser certification or licensing of Owners*

An AMC subject to State registration shall not be registered by a State or included on the AMC Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause,<sup>108</sup> as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. States must document to the file the State's method of review and the result.

### B. *Good Moral Character of Owners*

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

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

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

---

<sup>108</sup> An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified. (12 CFR 34.210 - 34.216; 12 CFR 225.190 - 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 - 1222.26.

### 3. *Requirements for Federally Regulated AMCs*

Participating States are not required to identify Federally regulated AMCs<sup>109</sup> operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

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

#### *E. Summary of Requirements*

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.<sup>110</sup>
2. Participating States must impose requirements on AMCs consistent with the AMC Rule.<sup>111</sup>
3. Participating States must enforce and document ownership limitations for State-registered AMCs.<sup>112</sup>
4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive definition of

---

<sup>109</sup> See footnote 107.

<sup>110</sup> 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

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

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

AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.<sup>113</sup>

5. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>114</sup>

## *POLICY STATEMENT 9*

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

#### *A. Requirements for the AMC Registry*

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.<sup>115</sup> Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC<sup>116</sup> from AMCs that are either registered with a participating State or are Federally regulated AMCs.<sup>117</sup>

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

---

<sup>113</sup> Title XI § 1118 (b), 12 U.S.C. § 3347.

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

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

<sup>116</sup> Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

<sup>117</sup> Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.

States in order to be on the AMC Registry for each State.

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

### *B. Registry Fee and Invoicing Policies*

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

### *C. Reporting Requirements*

State agencies must report all disciplinary action<sup>118</sup> taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to

---

<sup>118</sup> See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”



be submitted by the State to the ASC, pursuant to the ASC's policies regarding the determination of the AMC Registry fee.

#### *D. Access to AMC Registry Data*

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

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

#### *E. Summary of Requirements*

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).<sup>119</sup>
2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as

---

<sup>119</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

determined by State law.<sup>120</sup>

3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>121</sup>
4. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMC's ability to provide appraisal management services), the AMC's status must be changed on the AMC Registry to "inactive."<sup>122</sup>
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.<sup>123</sup>
7. States must adopt and implement a written policy to protect the right of access to the AMC Registry, as well as the ASC issued User Name and Password.<sup>124</sup>
8. States must ensure the accuracy of all data submitted to the AMC Registry.<sup>125</sup>

### *POLICY STATEMENT 10*

---

<sup>120</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

## *State Agency Enforcement*

### *A. State Agency Regulatory Program*

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.<sup>126</sup>

### *B. Enforcement Process*

States must ensure that the system for processing and investigating complaints<sup>127</sup> and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented<sup>128</sup> manner.

#### *1. Timely Enforcement*

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

---

<sup>126</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>127</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

<sup>128</sup> See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

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 complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

## *3. Consistent and Equitable Enforcement*

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

## *4. Well-Documented Enforcement*

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

### *a. Complaint Files*

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of

discipline);

- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

*b. Complaint Logs*

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

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint

6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)
8. Terms of disposition (*e.g.*, probation, fine)
9. In the case of open complaints, the most recent activity and date thereof (*e.g.* respondent's response to complaint received, contacted Attorney General for a status update, Board voted to offer a consent agreement)

### *C. Summary of Requirements*

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>129</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>130</sup>
3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.<sup>131</sup>
4. States must track complaints of alleged appraiser misconduct or wrongdoing using a

---

<sup>129</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>130</sup> *Id.*

<sup>131</sup> *Id.*

complaint log.<sup>132</sup>

5. States must appropriately document enforcement files and include rationale.<sup>133</sup>

## *POLICY STATEMENT 11*

### *Statutory Implementation Period*

Title XI and the AMC Rule set forth the statutory implementation period.<sup>134</sup> The AMC Rule was effective on August 10, 2015. As of 36 months from that date (August 10, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. Appraisal management services may still be provided for federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.<sup>135</sup>

## *PART C: INTERIM SANCTIONS*

## *POLICY STATEMENT 12*

---

<sup>132</sup> *Id.*

<sup>133</sup> *Id.*

<sup>134</sup> Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 CFR 34.210 - 34.216; 12 CFR 225.190 - 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 - 1222.26.

<sup>135</sup> Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

## *Interim Sanctions*

### *A. Authority*

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.<sup>136</sup> The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.<sup>137</sup> In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report<sup>138</sup> issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

### *B. Opportunity to be Heard or Correct Conditions*

The ASC shall provide the State agency with:

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

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

section C, *Procedures*.

---

<sup>136</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>137</sup> *Id.*

<sup>138</sup> *See Appendix A – Compliance Review Process.*



### *C. Procedures*

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

#### *1. Notice*

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the registration of AMCs, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and AMCs, the investigation of complaints, and enforcement actions against appraisers and AMCs.<sup>139</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.

---

<sup>139</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

### 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>140</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 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*

#### *Written Submissions*

---

<sup>140</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.

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

#### *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.

#### *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.

#### *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>141</sup>

### *APPENDICES*

---

<sup>141</sup> 5 U.S.C. § 703 - *Form and venue of proceeding.*

## *Appendix A – Compliance Review Process*

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

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

The following chart provides an explanation of the ASC Findings and rating criteria for each

ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC Finding	Rating Criteria	Review Cycle (Program history or nature of deficiency may warrant a more accelerated Review Cycle.)
Excellent	<ul style="list-style-type: none"> <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>142</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

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

<sup>142</sup> An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 12, *Interim Sanctions*.

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

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

#### *Appendix B – Glossary of Terms*

Appraisal management company (AMC): Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets,

that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

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

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

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

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

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

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

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



of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

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

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

- a. revocation of credential or registration
- b. suspension of credential or registration
- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender<sup>143</sup>
- 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.”

---

<sup>143</sup> A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual’s Appraiser Registry record is updated to show the credential is inactive.

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

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

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

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

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

Real estate related financial transaction: Any transaction involving:

- a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;
- b) the refinancing of real property or interests in real property; and
- c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities. (See Title XI § 1121 (5), 12 U.S.C. 3350.)

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

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

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

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

\* \* \* \* \*

By the Appraisal Subcommittee,

\_\_\_\_\_  
Arthur Lindo, Chairman

\_\_\_\_\_  
Date

Billing Code 6700-0001

■   ■   ■   ■   ■   ■   ■

# Appraisal Subcommittee

*Federal Financial Institutions Examination Council*

## **Agency Reform Plan September 30, 2017**

---

### Executive Summary:

As directed in the April 12, 2017 *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce* memorandum for heads of executive departments and agencies, the Appraisal Subcommittee (ASC) developed the following Agency Reform Plan, to maximize employee performance and achieve potential near and long-term cost reductions.

### Background:

The ASC is an independent executive branch agency located in Washington, DC. The ASC is a subcommittee of the Federal Financial Institutions Examination Council. The ASC's primary roles are to:

- provide oversight of the State Appraiser and Appraisal Management Company (AMC) Regulatory Programs;
- monitor and review the Appraisal Foundation;
- maintain the National Registries of Appraisers and AMCs; and
- provide grants to the Appraisal Foundation and State Appraiser and AMC Regulatory Programs.

The ASC's revenue is solely based on National Registry fees. The ASC does not receive any taxpayer funds and its expenses have no impact on the federal budget. Due to its small size, and because the ASC's funds are not annually appropriated by Congress, the ASC establishes its annual budget the preceding year, not two years in advance.

### **Agency Overview**

- Staffing – 12 staff members
- FY 2017 Budget - \$3.9 million (\$4.5 million reserve balance)
- Grants – FY 2017 \$659,000 (States and Appraisal Foundation)
- Board consists of representatives from the:
  - Federal Reserve Board;
  - Office of the Comptroller of the Currency;
  - Federal Deposit Insurance Corporation;
  - National Credit Union Administration;
  - Consumer Financial Protection Bureau;
  - U.S. Department of Housing and Urban Development; and
  - Federal Housing Finance Agency.

### Workforce Reduction Opportunities:

Given the small size of the ASC's workforce, significant staffing reductions without impeding the effectiveness of the ASC is limited. However, the ASC has identified the following options:

- The ASC has 15 approved full time-employees (FTEs), three of which are vacant. To keep FTEs at a minimum, the ASC may not fill all vacant positions. As employees retire or otherwise leave the Agency, options to combine or eliminate positions will be considered. Two staff are currently eligible to retire.
- Four of the remaining staff will be eligible to retire by September 2024.

### Maximize Employee Performance:

The ASC has already taken steps over the past two years to enhance employee performance and to link employee ratings to performance awards and substandard performance. In 2016, the ASC implemented an OPM-approved Performance Management System (System) that clearly identifies individual Performance Plans based on tangible employee performance metrics. Given that the System is still relatively new, the ASC is just beginning to realize the benefits of the improved System.

### Timeline and Implementation Actions:

1. Review and Update Formal ASC Policy.
  - The existing System includes assistance (counseling, training, closer supervision) for employees who fail to meet established Performance Plans.
  - Employee performance is monitored and failures to meet performance expectations are addressed and may include a Performance Improvement Plan (PIP).
2. Provide Transparency around the PIP Process.
  - The ASC currently provides supervisors a copy of the guidance regarding PIPs and a tracking system.
  - There are no employees presently subject to the PIP process.
3. Ensure Managers and Supporting HR Staff are Appropriately Trained on the System.
  - A timeline will be developed for supervisory personnel to complete the relevant online courses pursuant to 5 C.F.R. 412.202.
4. Ensure Accountability in Manager Performance Plans.
  - The current Manager Performance Plans include accountability for the performance of employees under each manager's supervision.
  - Plans are reassessed annually.
5. Establish Real-Time Manager Support Mechanisms.
  - Given the size of the ASC and the limited number of managers (3), meetings are held with the executive director on a regular basis to share information.

Eliminate Activities/Restructure and Merge Activities/Improve Organizational Efficiency and Effectiveness:

- Over the past several years, the ASC has upgraded its IT infrastructure in ways that have greatly improved operational efficiencies and security.
- The ASC will continue to review the Compliance Review process it revised in 2009 to determine if certain aspects can be streamlined to lessen expenses for the ASC, reduce burden on the States, and improve efficiencies.
- The ASC will consider restructuring opportunities to streamline efficient management of the ASC’s administration while achieving its core objectives.
- The ASC will examine potential opportunities to decrease operational costs including personnel, lease expenses and travel.

The ASC Strategic Plan details the actions the ASC will take to meet its statutory responsibilities.

1. Promote Title XI-compliant<sup>1</sup> State appraiser regulatory programs (State Programs).
  - ✓ Ensure that States understand ASC expectations and compliance requirements of Title XI and the ASC’s Policy Statements.
  - ✓ Maintain understandable and enforceable ASC Policy Statements.
  - ✓ Issue Compliance Review Reports that are: (a) accurate representations of a State Program’s status; (b) developed and reported in accordance with established ASC policies and procedures (including the Plain Language Act); (c) completed in a timely manner; and (d) developed and reported in a fair and equitable manner.
2. Monitor changes in regulatory appraisal standards of the ASC member agencies.
  - ✓ No less than annually, ASC staff will provide a written “Monitoring Summary” to ASC members regarding any appraisal-related regulations or guidance proposed or adopted by the ASC member agencies, and the potential impact on the State Programs, credentialed appraisers, and other stakeholders.
3. Monitor and review the practices, procedures, activities, and organizational structure of the Appraisal Foundation.
  - ✓ Ensure that ASC grant funds are being used as allowed in Title XI and the ASC Foundation Grant Policy.
4. Maintain the National Registry of appraisers and National Registry of AMCs.
  - ✓ Maintain access to the National Registries on the ASC website.
  - ✓ Seek improvements to information-sharing opportunities.

---

<sup>1</sup> Refer to the Financial Institutions Reform, Recovery and Enforcement Act.

5. Manage ASC financial and staff resources in a prudent manner to fulfill ASC core statutory mandates and maximize efficiency and productivity.
  - ✓ Develop and execute properly detailed, analyzed, and disciplined annual budgets.
  - ✓ Execute proactive initiatives focused on employee performance, including mentoring, employee feedback, performance planning, incentives, and recognition programs for outstanding performers.
  - ✓ Empower employees, including managers, with the opportunity to expand their skills and knowledge base through professional development programs in leadership, job skills, and employee productivity.
  - ✓ Maintain an effective ethics program.