

**APPRAISAL SUBCOMMITTEE
OPEN SESSION MEETING MINUTES
JANUARY 14, 2015**

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

ATTENDEES

ASC MEMBERS: FRB – Art Lindo (Chair)
CFPB – Mira Marshall
FDIC – Rae-Ann Miller
HUD – Ada Bohorfoush
NCUA – Tim Segerson

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

OBSERVERS: AARO – Amy McClellan
Appraisal Institute – Brian Rodgers
FDIC – Suzy Gardner
FRB – Carmen Holly
FRB – Walter McEwen
FRB – Kevin Wilson
Freddie Mac – Roger Ngouenet
Kelly Group – Donald Kelly
OCC – Kevin Lawton
REVAA - Bert Pena
REVAA - Thomas Tilton

The Meeting was called to order at 10:45 a.m. by A. Lindo. M. Marshall and T. Segerson attended via telephone.

<OPEN SESSION>

REPORTS

- **Chairman**

A. Lindo welcomed the observers to the Meeting. He outlined the ASC's objectives for 2015 and noted the ASC's 2014 accomplishments.

- **Executive Director**

J. Park reported on ASC staff activities since the ASC's November 12th Meeting. He and D. Graves attended the Appraisal Practices Board Meeting on November 13-14 and the Appraisal Foundation Board of Trustees Executive Committee Meeting on January 11th. They also participated in several conference calls of the Appraisal Foundation Boards. ASC staff is working on the Unique Appraiser Identification Number Project and hopes to have a test model ready within the next 3-4 months.

- **Delegated State Compliance Reviews**

D. Rhoads reported on State Compliance Reviews completed pursuant to delegated authority since the ASC's November 12th Meeting. There were three State Compliance Reviews finalized and approved by the Executive Director under delegated authority. Connecticut, Michigan and Minnesota were all awarded a Finding of "Good" and each will remain on a two-year Review Cycle.

ASC staff conducted a Follow-up Review in Illinois. The State has decreased its complaint backlog and will continue to submit quarterly complaint logs to the ASC.

- **Financial Report**

G. Hull provided an update on Appraisal Foundation grant reimbursement requests and the ASC FY14 audit. ASC staff reviewed and approved Foundation grant reimbursement requests for August and September in the amounts of \$47,032 and \$82,777 respectively. The August request covered meeting costs related to updating the question bank for the National Uniform Appraiser Exam. The September request covered costs for the September 8-10 Level III Investigator Training Course in San Diego, CA and the September 18-19 Appraiser Qualifications Board Meeting in Memphis, TN.

The ASC's FY14 audit is complete and the ASC received a clean opinion. The Registry fee revenue totaled \$3,815,854 and expenditures totaled \$3,383,062 thereby resulting in an increase to the reserve fund balance of \$432,792.

- **Appraisal Subcommittee Advisory Committee (ASCAC)**

L. Schuster reported that the next and very likely final Advisory Committee Meeting will be held on February 12-13, 2015, at the Hilton Garden Inn located at 815 14th Street, NW in Washington, DC. It is the Committee Chair's intention for this to be the last Meeting before recommendations are submitted to the ASC. The agenda for the Meeting should be available on the ASC website by the end of January.

ACTION ITEMS

- **November 12, 2014 Minutes – Open Session**

R. Miller made a motion to approve the November 12th open session meeting minutes as presented. A. Bohorfoush seconded and all members present voted to approve.

- **Alaska Compliance Review**

D. Graves reported on the Alaska Compliance Review. ASC staff recommends that Alaska be given a finding of Not Satisfactory and placed on a one-year Review Cycle with a Follow-up Review in approximately three months with continued off-site monitoring. She noted that Alaska has had considerable staff turnover in three key positions as well as in Board members; two staff positions have been filled since the Review. R. Miller asked why the ASC, in previous Compliance Reviews, did not recommend that the State increase staffing in this area. D. Graves responded that the section had adequate staff but no training was provided for new staff; nor were there any policies and procedures in place for staff to use as guidance. A. Lindo asked if appraiser licensing fees are used solely for Appraisal Board functions or are the fees swept into the State's general fund. D. Rhoads said that he would research whether that is the case. R. Miller asked if Alaska has paid its overdue National Registry invoices and D. Graves said yes. R. Miller noted that the staffing problems seem to be a continual problem and asked if ASC staff is relying on Alaska to correct the problem. J. Park responded that ASC staff will follow up with Alaska to verify that they are correcting the problems. A. Lindo requested an update on Alaska at the ASC's March 11th ASC Meeting. R. Miller suggested that Alaska be given a 60-day deadline to correct its issues or come up with a timeline in which it will resolve the issues. R. Miller moved to approve the Alaska Compliance Review Report and letter with edits, delegating authority to the Chairman to review the Report and sign the letter. A. Bohorfoush seconded and all members present voted to approve.

- **Appraisal Management Company (AMC) Registration and Supervision**

J. Park said staff recommends issuing a Bulletin to States upon publication of the final AMC Rules. The Bulletin would provide information on compliance regarding: (1) Minimum Requirements for State Registration and Supervision of AMCs; (2) National Registry of

AMCs; (3) Reporting Requirements; and (4) National Registry Fee for AMCs. A. Lindo asked other members if they supported this idea. A. Bohorfoush said the ASC has numerous items to address before it will be able to enforce AMC compliance in the States. J. Park said that, since some State legislatures only meet biennially, sending out a Bulletin now would give States time to draft their statutes for consideration in a future legislative session. R. Miller said she would like to review the Bulletin before it is distributed to States. M. Marshall said it would be helpful to include in the Bulletin, the ASC's proposed timeline for States to comply with the Federal AMC regulations. T. Segerson asked if staff would be distributing the Bulletin to other entities besides States. A. Ritter said that the Bulletin is solely to assist States in getting their AMC programs operational, but that typically a press release is issued to other entities. A. Lindo asked if staff has a possible release date for the Bulletin. A. Ritter responded that the staff would like to distribute the Bulletin once the agencies publish the final AMC regulations in the Federal Register.

Regarding the proposed fee calculations, J. Park said there are three scenarios that staff has developed. The first scenario calculates the fee based on every appraiser on the AMC panel during a 12-month period, regardless of whether they performed work for the AMC, multiplied by \$25. The second scenario calculates the fee based on every appraiser that worked for the AMC during a 12-month period multiplied by \$25. And the third scenario would be a flat fee wherein any AMC that meets the Federal statutory threshold would be assessed a registry fee based on that threshold number (*i.e.*, 16 appraisers for State AMCs; 25 appraisers for National AMCs) multiplied by \$25. All three scenarios have pros and cons. The third option would have the least impact on the industry but would also generate less revenue for the ASC. AMC fees could be used for grants to the States as well as possibly hiring additional ASC staff for the ASC's oversight of State AMC programs. R. Miller asked J. Park where he came up with the estimate for the number of AMCs. J. Park responded that he used a report from the Liability Insurance Administrators to get an estimate of AMCs, but added that it is difficult to estimate the number of AMCs and panel sizes for the future. M. Marshall suggested using the flat fee scenario for a couple of years to get a better sense of the number of AMCs; the ASC could then make adjustments if necessary.

J. Park said staff is developing the AMC Registry and it could be operable by the end of 2015. The ASC could allow States to stagger their implementation dates for adding data to the AMC National Registry as was done for the Appraiser National Registry. He thought it made sense from an ASC and State perspective so a large amount of data did not come in at one time. He added that currently 38 States have AMC registration statutes and regulations. Most States will have to make amendments to their statutes and/or regulations once the agencies' AMC rules are finalized. A. Lindo said the fee needs to be further discussed, possibly at the March 11th ASC Meeting. R. Miller said she would like to see some general estimates on fees for the present and the future.

The Open Session adjourned at 12:00 p.m. The next ASC Meeting will be March 11, 2015.